



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010





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Letter of Transmittal



Finance Department

3300 Capitol Avenue, Building B, P.O. Box 5006, Fremont, CA 94537-5006

510 494-4610 *ph* | 510 494-4611 *fax* | www.fremont.gov

January 31, 2011

To the Honorable Mayor, Members of the City Council and
Citizens of the City of Fremont, California

Various financing covenants and rules associated with restricted funding sources require the City of Fremont, California (City) to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Fremont's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

Caporicci & Larson, Inc., a subsidiary of Marcum, LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of Fremont's financial statements for the fiscal year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City is part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A immediately follows the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

Letter of Transmittal

Profile of the Government

The City of Fremont, incorporated in 1956, is located at the southeast end of the San Francisco Bay and is the fourth largest city in the Bay Area and 96th among the most populous cities in the nation, according to the California State Department of Finance. The City of Fremont contains 92 square miles and serves a population of just over 215,000. In addition to a large cluster of high tech companies, Fremont has attracted many biotechnology and clean technology companies.

Fremont is a general law city and, as such, does not operate under the provisions of a voter-approved charter. Like other general law cities, and charter cities with only minor differences, the City has limited ability to set tax rates. The State Constitution establishes a maximum rate for property tax and limits the growth of assessed value. The property tax collected is allocated among the jurisdictions in the City's tax rate areas based on criteria established by the State Legislature. The rate and tax base of the City's other major general tax, sales tax, are also controlled by the State Legislature or the Constitution, rather than the City Council.

The City of Fremont has operated under the council-manager form of government since its incorporation in 1956. Policy-making and legislative authority are vested in a five-member governing council consisting of the Mayor and four Councilmembers. The City Council is responsible for, among other things, passing ordinances, adopting the budget, approving the Mayor's nominees to commissions, and hiring both the City's manager and its attorney.

The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms, with two Councilmembers elected every two years. The Mayor is elected to serve a four-year term. The Mayor and Councilmembers are elected at large and all are subject to two-term limits.

The City of Fremont provides a broad range of services, including police and fire protection, construction and maintenance of streets, parks, storm drains and other infrastructure, recreational and cultural activities, and human services programs. The City also manages franchises for solid waste, cable television, and energy. Certain infrastructure construction and community development activities are provided through a legally separate redevelopment agency. The City Council sits as the redevelopment agency's board, and the agency functions, in essence, as a department of the City. Therefore, the Fremont Redevelopment Agency (Agency) has been included as an integral part of the City of Fremont's financial statements. Many major public services delivered within the City's boundaries, including water, wastewater, education, regional parks, and public transportation, are provided by other agencies. The City of Fremont is not financially accountable for the operations of the franchisees or these government agencies.

Increases of existing local taxes and any new taxes require voter approval. Taxes used for general purposes are subject to approval by a simple majority of voters, while taxes levied for specific purposes require a two-thirds majority of voters, as do property tax levies used to pay for debt

issued to build capital assets. In November 2002, Fremont voters approved an additional tax levy to build and upgrade fire stations and other public safety facilities throughout the City. The first series of those bonds was issued in July 2003, with a second series following in April 2005, and the final series in February 2009. Work funded by bond proceeds is progressing on schedule and is nearly complete.

Assessments have varying requirements for voter approval, ranging from approval through Council action unless challenged by a majority protest, to two-thirds voter approval, with voting rights apportioned based on the amount of the assessment. In addition, fees for facilities and services are subject to requirements that they be set at levels that do not exceed the reasonable costs of providing those services. As a result, fund balances generated by differences between fee revenue and related expenses are designated for services and facilities that benefit fee payers.

Factors Affecting Financial Condition

We believe the information presented in the financial statements is best understood when it is considered from the broader context within which the City of Fremont operates.

Risk and volatility in funding sources collected or allocated by the State. The City Council cannot control the rates of the City's largest revenues. The State's Proposition 13-related revisions to the property tax allocation formula, its reductions to city and county sales tax rates, and its cuts to the personal property tax rate for vehicles illustrate the broad extent of the State's control of the City's revenues. This outside control adds to the volatile nature of City resources.

In November 2010, California voters approved Proposition 22, "The Local Taxpayers, Public Safety and Transportation Protection Act," a constitutional amendment to protect local government funding from State raids and borrowing. As the State continues to face significant budget challenges, it remains to be seen how effective this action will actually be.

Local economy. Fremont is weathering the longest, deepest recession since the Great Depression, triggered by the far-reaching global impacts of the housing slump and the subprime mortgage meltdown. While the worst may be over, economic recovery is expected to be a long, slow process. Sales tax, property transfer tax, and vehicle license in-lieu fees have fallen significantly in the past two years. However, recent sales tax information is showing mixed results. Property transfer tax revenues are up significantly, although the value per transaction is less because of the large number of foreclosed properties on the market. Property tax revenues are holding relatively steady, but commercial valuation appeals have yet to be processed. These appeals could take another two years to settle, after which time a loss could be applied for the fiscal year just ended. It will take several years for revenue sources to fully recover from the effects of the recession.

The New United Motor Manufacturing, Inc. (NUMMI) facility, a joint venture of General Motors and Toyota, ceased production in Fremont at the end of March 2010. In May, Tesla Motors announced it had purchased the former NUMMI factory, where it will build the Model S sedan and future Tesla vehicles. At the same time, Tesla and Toyota announced that they intend to cooperate on the

Letter of Transmittal

development of electric vehicles, parts, and production system and engineering support. Although this is an exciting development for the former NUMMI plant, only a small portion of the property is occupied by Tesla. It will be several years before Tesla begins actual manufacturing operations, and even then, manufacturing output will be a fraction of the number of vehicles produced by NUMMI. Because of so many variables, it is not possible to determine the effect of this new undertaking on the City.

CalPERS. The California Public Employees' Retirement System (CalPERS) has suffered portfolio losses and earned sub-par yields in five of the last nine years. The impact of portfolio losses began to affect City retirement contributions in FY 2003/04. Because of actions taken by the CalPERS Board to mitigate the magnitude of employer rate fluctuations, the City's actuary projects that the current higher rates will continue to remain in effect for the foreseeable future. Other factors adversely affecting employer rates are the change CalPERS made in its demographic assumptions and the anticipated change it will make to lower its interest earnings assumption. These factors will likely cause further increases in employer rates.

State budget. After setting a new record for number of days without a budget, the State finally passed a budget on October 8, 2010, that is once again heavily dependent on debt and deferral of expenses. The State continues to face a multibillion dollar structural deficit in FY 2010/11 and beyond. The size of the deficit continues to be roughly \$20 billion. The passage of Proposition 22 protects local government from the State's borrowing or out-right taking of city money. However, the size of the State's budget deficit is significant, there are few options remaining, and it is not known with certainty at this time what steps the State will take next to address its budget challenges.

Long-term financial planning. The City Council has continued to focus attention on the long term benefits of transportation infrastructure improvement, recruitment of consumer retail uses to balance the City's business-to-business sales tax base, and development of a pedestrian-oriented urban center in the City's Midtown area.

Construction is substantially complete on two grade separations that will increase safety, reduce congestion and facilitate extension of the Bay Area Rapid Transit District (BART) commuter rail system south to the City's Warm Springs district and from there, eventually, to San Jose. These transportation system improvements received significant amounts of redevelopment funding as part of an overall plan that includes State, regional, federal and other local funds.

In addition to retail development, efforts continue to expand Fremont's industrial base. Clean technology firms are establishing a cluster, which includes firms involved with research and development, as well as large scale manufacturing. These firms include Solyndra and Solaria, and it is expected that this sector of industry will continue to find Fremont a desirable location due to affordable space, a qualified workforce, and a central Bay Area location.

Redevelopment Funding Cap. In June 2010, the Agency completed a plan amendment to increase its limit on the collection of tax increment revenue for the Industrial Project Area. This means that

a number of ongoing and future Agency redevelopment efforts will be able to proceed. The most significant of these undertakings will be construction of the Irvington BART station.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fremont for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the 26th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and legal requirements. A Certificate of Achievement is valid for one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 2009/10. This was the thirteenth consecutive year the City received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would also like to express our appreciation to all the members of the departments who assisted in and contributed to the preparation of this report. Credit and thanks, also, to the City Manager, and the Mayor and City Councilmembers for their unflagging support for maintaining the highest standards of professionalism in the management of the City of Fremont's finances.

Respectfully submitted,

A handwritten signature in blue ink that reads "Harriet V. Commons". The signature is written in a cursive, flowing style.

Harriet V. Commons, CPA
Finance Director/Treasurer

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Located on the southeast side of the San Francisco Bay, Fremont is a city of over 218,000 people with an area of 92 square miles, making it the fourth largest city in the San Francisco Bay Area and ranks 96th among the most populous cities in the nation according to the California State Department of Finance. With its moderate climate and its proximity to major universities, shopping areas, recreational and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best.

The Fremont area was first settled with the establishment of Mission San Jose by

the Spanish. In the mid-1840s, John C. Fremont mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. In 1853, Washington Township was established, taking in the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined together to form the City of Fremont.





City Council

Bob Wasserman, Mayor
Bob Wieckowski, Vice Mayor
Anu Natarajan, Councilmember
Bill Harrison, Councilmember
Suzanne Lee Chan, Councilmember



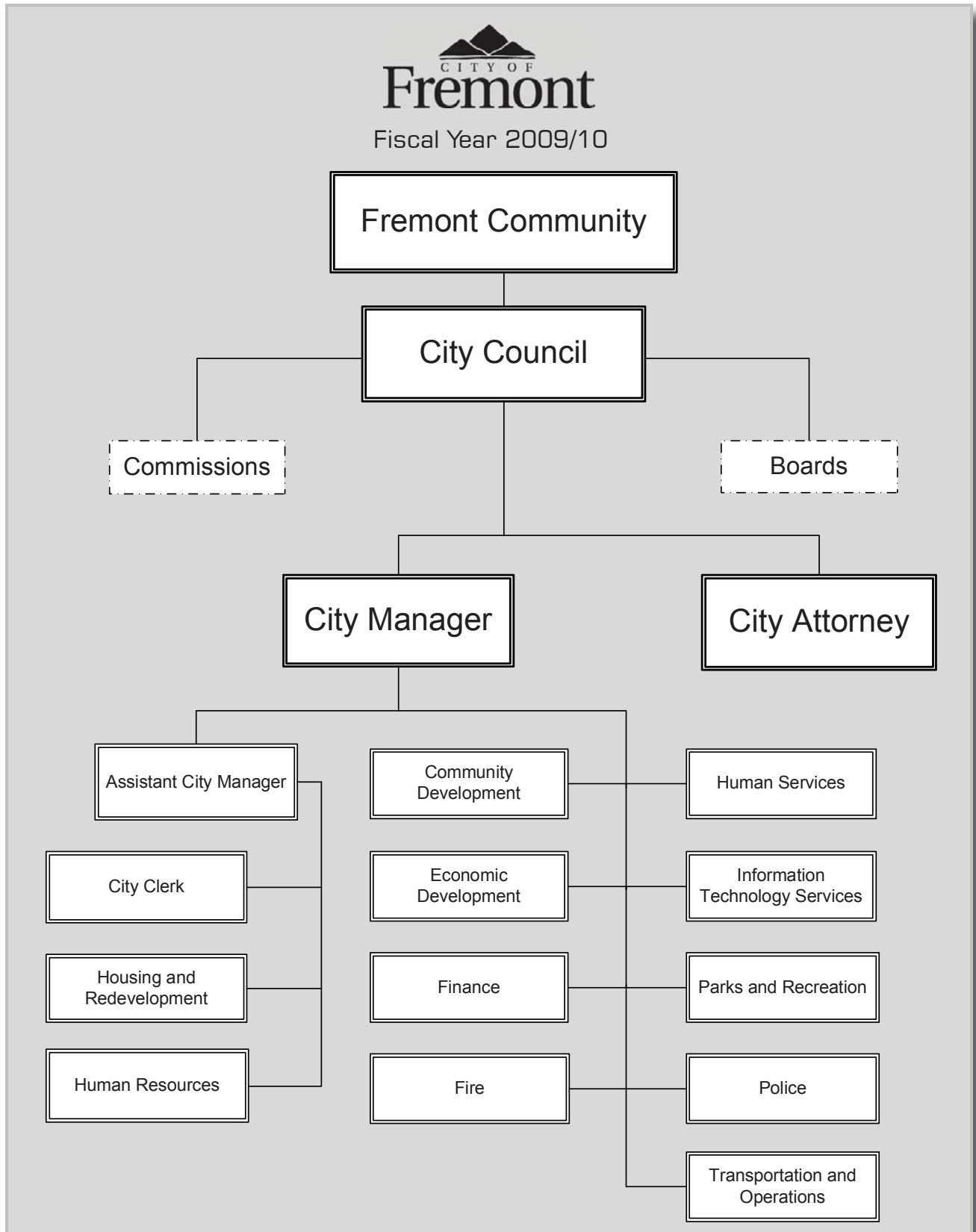
City Executive Staff

Fred Diaz, City Manager
Harvey E. Levine, City Attorney
Melissa Stevenson Dile, Assistant City Manager
Dawn G. Abrahamson, City Clerk
Harriet Commons, Finance Director
Marilyn Crane, Information Technology Services Director
Mary Kaye Fisher, Interim Human Resources Director
Annabell Holland, Parks & Recreation Director
Norm Hughes, City Engineer
Jill Keimach, Community Development Director
Bruce Martin, Fire Chief
Jim Pierson, Transportation & Operations Director
Jeff Schwob, Planning Director
Suzanne Shenfil, Human Services Director
Craig Steckler, Chief of Police
Lori Taylor, Economic Development Director
Elisa Tierney, Housing & Redevelopment Director



CAFR Team

Gloria I. del Rosario, Senior Accountant
Tricia Fan, Senior Accountant
Tish Saini, Accountant
Ellen Zhou, Accountant
Krysten Lee, Accounting Technician
Elisa Chang, Executive Assistant/Graphic Artist



Certificate of Achievement for Excellence in Financial Reporting



The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fremont for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the 26th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and legal requirements. A Certificate of Achievement is valid for one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fremont
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Fremont
Fremont, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fremont, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Fremont
Fremont, California
Page Two

The Management Discussion and Analysis and the Required Supplementary Information on pages 13 to 31 and pages 87 to 93, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
January 28, 2011

Management's Discussion and Analysis

As management of the City of Fremont, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Fremont for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found in the Introductory Section at the front of this report.

FINANCIAL HIGHLIGHTS

- On an entity-wide basis, the total assets of the City of Fremont exceeded its liabilities at the close of the most recent fiscal year by \$931,426,000 (net assets). Of this amount, \$26,466,000 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements. The amount of unrestricted net assets at June 30, 2010 is 32% less than the same amount a year earlier (\$39,138,000).
- Both revenues and expenses were slightly less than the prior year. However, the City's total net assets on an entity-wide basis increased by \$16,685,000.
- As of June 30, 2010, the City of Fremont's governmental funds reported combined ending fund balances of \$248,027,000, a decrease of \$51,454,000 in comparison with the prior year. Of this amount, 10% (\$24,971,000) is reserved to indicate that it is not available for new spending because it has already been committed, either to liquidate contracts and purchase orders of the prior period (\$17,871,000), or to pay debt service (\$7,100,000). The remaining 90% (\$223,056,000) constitutes unreserved fund balance that is available for spending, but has been designated for a variety of specific future uses.
- At the end of FY 2009/10, unreserved fund balance for the General Fund was \$28,216,000. Of this amount, \$14,642,000 was designated by City Council policy for unforeseen events (contingencies) and \$3,660,000 was designated by City Council policy for start-up costs for future programs with the potential to generate revenues sufficient to cover costs and repay the start-up investment. Both of these policies were adopted by the City Council in June 1996 and revised in June 2009. In addition, \$8,490,000 was designated to provide funds to deal with significant levels of potential financial volatility related to the uncertain economic environment and the unknown effects of the State budget. For the second time since its creation in 2002, \$5,514,000 of this designated fund balance was required to balance the General Fund operating budget. A positive \$1,332,000 was designated for fair value adjustments to the City's investment portfolio for net gains recognized by the City, but not yet realized at year-end, and \$92,000 was designated for specific purposes.
- The City's total capital debt decreased by \$30,215,000. In addition to scheduled annual debt service payments in the amount of \$8,130,000, \$22,085,000 of the outstanding Redevelopment Agency Tax Allocation Bonds were paid off in the fourth quarter of FY 2009/10 to allow the Redevelopment Agency to retire bonds bearing interest rate coupons of 3.375%, 3.625%, and 4.005%. This saved the Agency \$2.2 million in future interest costs.

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Fremont's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Fremont's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities on an entity-wide basis, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation and other compensated leave).

All of the City's activities are considered to be governmental in nature and, as a result, no business-type activities are reported in these statements. Governmental activities are those that are principally supported by taxes and intergovernmental revenues. For the City of Fremont, governmental activities consist of police services, fire services, human services, capital assets maintenance, recreation services, community development and environmental services, and general government administration.

The City is the primary government in this report. There are no discretely presented component units. However, these financial statements include three other entities that, although legally separate, are important because the City is financially accountable for them. These component units are the Redevelopment Agency of the City of Fremont (Agency), the Fremont Public Financing Authority (Authority), and the Fremont Social Services Joint Powers Authority (JPA). These component units have been included as an integral part of the City of Fremont (that is, their accounts are "blended" with those of the City) and they are not reported as separate discrete component units in these financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fremont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fremont can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities shown in the government-wide financial statements.

The City of Fremont maintains fifty-six individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following individual funds that are considered to be major funds:

- General Fund
- Redevelopment Agency Operations
- Low and Moderate Income Housing
- Redevelopment Agency Debt Service
- Redevelopment Agency Capital Projects
- Development Impact Fees
- Development Cost Center
- Recreation Services

Data for the other forty-eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, and the Redevelopment Agency Operations, Development Cost Center, and Recreation Services funds. Budgetary comparison statements are provided elsewhere in this report to demonstrate compliance with the adopted budget.

Proprietary funds. The only proprietary funds the City has are internal service funds, which are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management activities and information technology services. Because these services exist to benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

Management's Discussion and Analysis

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The only fiduciary funds the City has are agency funds. The accounting used for these funds is much like that used for governmental funds. These funds are reported in a separate statement of fiduciary net assets.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes budgetary comparison schedules, as well as more detailed information about the City's use of the modified approach for certain of its infrastructure assets, and about its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial position. In the case of the City of Fremont, assets exceeded liabilities by \$931,426,000 at the close of the 2009/10 fiscal year. In comparison, last year assets exceeded liabilities by \$914,741,000.

Management's Discussion and Analysis

Information about net assets is presented in the summary schedule, below:

SUMMARY OF NET ASSETS JUNE 30, 2010 AND 2009 (dollars in thousands)

	2010	2009	Percentage Change
Current and other assets	\$ 305,967	\$ 380,094	(19.5%)
Capital assets	878,548	842,979	4.2%
Total assets	1,184,515	1,223,073	(3.2%)
Current liabilities	45,813	76,907	(40.4%)
Noncurrent liabilities	207,276	231,425	(10.4%)
Total liabilities	253,089	308,332	(17.9%)
Net assets:			
Invested in capital assets, net of related debt	692,581	617,288	12.2%
Restricted	212,379	258,315	(17.8%)
Unrestricted	26,466	39,138	(32.4%)
Total net assets	\$ 931,426	\$ 914,741	1.8%

Total assets were \$38,558,000 lower in FY 2009/10 compared to FY 2008/09. The decrease in current assets was due to the decrease of \$72,548,000 in cash and investments held by the City and a decrease of \$5,142,000 in restricted cash and investments held by fiscal agent. This decrease was partially due to the early redemption of \$22,085,000 in tax allocation bonds issued by the Redevelopment Agency. In addition, at June 30, 2009, both cash and current liabilities were \$28,000,000 higher because of tax and revenue anticipation notes issued in FY 2008/09, with no similar issuance in FY 2009/10. Capital assets increased by \$35,569,000. The major additions include \$12,177,000 for work completed on Fire Stations and Fire/Police Department training facilities, \$11,516,000 for the Washington Boulevard/Paseo Padre Parkway Grade Separation project, \$6,304,000 for the Midtown project, \$2,612,000 for the Niles Town Plaza, and \$1,361,000 for the purchase of vehicles.

Total liabilities were \$55,243,000 less in FY 2009/10 compared to the prior fiscal year. Current liabilities were \$31,094,000 less than in FY 2008/09 because the prior fiscal year included \$28,000,000 in tax and revenue anticipation notes payable. No short term note payable was issued in FY 2009/10 or outstanding at June 30, 2010. Noncurrent liabilities decreased by \$24,149,000, reflecting the \$22,085,000 early payoff of the 2004 Redevelopment Agency Tax Allocation Bonds.

By far, the largest portion of the City's net assets (74%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (3%) may be used to meet the City's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis

The City's net assets increased by \$16,685,000 (1.8%) during the current fiscal year. Information about changes in net assets is presented in the summary schedule, below:

SUMMARY OF CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009 (dollars in thousands)

	2010	2009	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 33,564	\$ 31,685	5.9%
Operating grants and contributions	22,854	22,955	(0.4%)
Capital grants and contributions	8,383	10,507	(20.2%)
General revenues:			
Property tax	102,848	103,504	(0.6%)
Sales tax	26,770	31,631	(15.4%)
Business tax	7,106	7,010	1.4%
Transient occupancy tax	2,867	2,865	0.1%
Property transfer tax	976	840	16.2%
Vehicle license in-lieu fees	634	727	(12.8%)
Development impact fees	6,977	4,104	70.0%
Franchise fees	7,929	8,329	(4.8%)
Investment earnings	7,637	8,982	(15.0%)
Miscellaneous	8,393	4,578	83.3%
Total revenues	236,938	237,717	(0.3%)
Program expenses:			
General government	11,431	13,767	(17.0%)
Police services	55,616	55,686	(0.1%)
Fire services	33,959	34,615	(1.9%)
Human services	8,939	8,544	4.6%
Capital assets maintenance and operations	46,720	38,894	20.1%
Recreation services	6,868	6,930	(0.9%)
Community development and environmental services	52,911	54,965	(3.7%)
Interest on debt	4,284	9,616	(55.4%)
Total program expenses	220,728	223,017	(1.0%)
Pollution remediation obligation	(475)	2,900	(116.4%)
Increase in net assets	16,685	11,800	41.4%
Net assets, beginning of year	914,741	902,941	1.3%
Net assets, end of year	\$ 931,426	\$ 914,741	1.8%

Management's Discussion and Analysis

Revenues. Charges for services increased by \$1,879,000 (5.9%) compared to the prior year. This revenue was \$1,100,000 higher in the Development Cost Center due to construction of the Solyndra fabricating plant, combined with an increase in residential housing permits issued during FY 2009/10. Recreation revenues were \$742,000 higher than in the prior fiscal year because of a successful second year of operations at the Water Park. Operating grants and contributions was almost flat compared the prior year.

Capital grants and contributions decreased by \$2,124,000 (20.2%) compared to the prior year because significant street improvements and capital projects funded with grants and contributions were completed or nearing completion by fiscal year end. The most significant of these was the Washington Boulevard/Paseo Padre Parkway Grade Separation project, the single largest capital improvement project in the City's history.

The City's property tax revenues decreased \$656,000 (0.6%) from the prior year. This slight decrease reflects the effects of significant foreclosures and downward reassessments resulting from the most severe economic recession since the Great Depression. Gross assessed valuation for secured property decreased 0.2% from FY 2008/09 to FY 2009/10, compared to an increase of 5.2% from FY 2007/08 to FY 2008/09.

Sales tax decreased \$4,861,000 (15.4%) as a result of the significant number of lost jobs and high levels of prolonged unemployment since 2008. Although the holiday sales tax quarter (ended December 2009) showed continuing declines in sales tax revenues, economists believe it will be the lowest quarter in the recessionary decline, with slow but steady improvement beginning in 2010.

Property transfer tax increased 16.2%, from \$840,000 in FY 2008/09 to \$976,000 in FY 2009/10, largely due to an increase in the number of transactions that occurred between fiscal years. However, the average dollar value per transaction was lower because of so many foreclosed properties on the market.

Vehicle in-lieu license fees (VLF) decreased by 12.8%, from \$727,000 in FY 2008/09 to \$634,000 in FY 2009/10. Vehicle sales continued to decline in FY 2009/10, a further reflection of the severe economic recession.

Investment earnings were much lower in FY 2009/10 compared to FY 2008/09 because of lower cash on hand and lower yields compared to the prior fiscal year. In FY 2009/10, the average portfolio yield was 2.51%, compared to 3.71% in FY 2008/09.

Management's Discussion and Analysis

Program Expenses. Although total revenues decreased by 0.3%, total program expenses decreased by 1.0%, to \$220,728,000 in FY 2009/10. For each governmental activity, the total costs are the expenses associated with that activity. Net costs take into account any revenues that support the costs of an activity directly, such as grants and charges for services. Information about the total and net cost of governmental activities is presented below:

TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2010 AND 2009 (dollars in thousands)

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2010</u>	<u>2009</u>	<u>% Change</u>	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Police services	\$ 55,616	\$ 55,686	(0.1%)	\$ 49,438	\$ 49,504	(0.1%)
Fire services	33,959	34,615	(1.9%)	30,348	31,068	(2.3%)
Human services	8,939	8,544	4.6%	3,648	3,529	3.4%
Capital assets maintenance and operations	46,720	38,894	20.1%	21,783	12,632	72.4%
Recreation services	6,868	6,930	(0.9%)	1,387	2,325	(40.3%)
Community development and environmental services	52,911	54,965	(3.7%)	34,526	36,067	(4.3%)
General government	11,431	13,767	(17.0%)	10,514	13,129	(19.9%)
Interest on debt	4,284	9,616	(55.4%)	4,284	9,616	(55.4%)
Total	<u>\$ 220,728</u>	<u>\$ 223,017</u>	(1.0%)	<u>\$ 155,928</u>	<u>\$ 157,870</u>	(1.2%)

Both police and fire services expenses decreased this year. Police salary and benefit costs were down because vacant positions were not filled and overtime charges were reduced because no major events occurred during the fiscal year. Expense savings for fire resulted from the temporary closing ("brown out") of Fire Station 11, which has the fewest number of calls for service, in the Industrial Area. In addition, last year's fire costs include the purchase of heart monitors/defibrillators (which are below the City's capitalization threshold). There was no similar significant equipment purchase in FY 2009/10.

The increase in total cost of services for human services (\$395,000) is due to the increased operating costs of providing existing and expanded services. This increase was significantly offset by new and increased grant funding, resulting in the net cost of service increasing by only \$119,000.

Total costs for capital assets maintenance and operations increased 20.1%, primarily because of street overlay projects that were funded by the American Recovery and Reinvestment Act (ARRA). Net costs of services were 72.4% higher than the prior fiscal year because \$1,300,000 less program revenue was received in FY 2009/10 compared to FY 2008/09. Although \$6,114,000 of new ARRA funding was received, there was a significant decrease in funding for the Washington Boulevard/Paseo Padre Parkway Grade Separation project because it is substantially complete.

Management's Discussion and Analysis

Recreation services expenses in FY 2009/10 were relatively flat compared to FY 2008/09. Net costs, however, were 40.3% lower because revenue from the Water Park (admission fees, program classes, food services, and rental fees) was \$742,000 more in FY 2009/10 than in FY 2008/09. In the prior fiscal year, revenues from the Water Park were \$327,000.

Community development and environmental services expenses decreased by 3.7% (\$2,054,000) over the prior fiscal year. Significant decreases in spending in the Low and Moderate Income Housing fund, Redevelopment Agency Capital Projects fund, and Development Cost Center funds (budget cuts in FY 2009/10 because of decreased development activity in FY 2008/09) more than offset the \$10,919,000 Supplemental Educational Revenue Augmentation Fund (SERAF) payment made during the fiscal year. In 2009, as part of the State budget adoption, the Legislature enacted a new requirement for a statewide contribution from redevelopment agencies equal to an aggregate of \$1.7 billion during FY 2009/10 and an additional \$350 million in FY 2010/11. The State Department of Finance determined each agency's SERAF payment, and the calculations were based on the State Controller's Office tax increment data from FY 2006/07. For the City of Fremont Redevelopment Agency, the SERAF payments amounted to \$10,919,000 for FY 2009/10 and \$2,300,000 for FY 2010/11.

The total cost of general government services decreased by 17.0% (\$2,336,000), from \$13,767,000 in FY 2008/09 to \$11,431,000 in FY 2009/10. This decrease is mainly due to savings realized as a result of budget reductions and eliminated positions, and a significant decrease in depreciation expense.

Interest on debt was 55.4% (\$5,332,000) less in FY 2009/10 than in FY 2008/09. A significant portion of the City's long-term debt is variable rate debt, and interest payments fluctuate weekly according to market rate changes. Overall, interest rates on variable rate debt were lower this year as compared to last year. This decrease in interest rates can also be seen in the decreased interest revenues earned by the City on its cash and investments.

Economic factors and next year's budget are discussed in more detail later in this discussion and analysis.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of FY 2009/10, the City's governmental funds reported combined ending fund balances of \$248,027,000, a decrease of \$51,454,000 from the prior year. Of this amount, 10% (\$24,971,000) is reserved to indicate it is not available for new spending because it has already been committed, either to liquidate contracts and purchase orders of the prior period (\$17,871,000), or to pay debt service (\$7,100,000). The remaining 90% (\$223,056,000) constitutes unreserved fund balance that is available for spending, but has been designated for a variety of specific future uses.

Management's Discussion and Analysis

The following are the major funds that either qualified under the reporting criteria or were considered to be important to financial statement users:

General Fund – The General Fund is the City's chief operating fund. At the end of FY 2008/09, total fund balance was \$31,099,000, of which \$30,713,000 was unreserved. At the end of FY 2009/10, total fund balance was \$28,901,000, of which \$28,216,000 was unreserved. Of this unreserved amount, \$14,642,000 (10.0% of budgeted expenditures and transfers out) was designated by City Council policy for use for costs associated with unforeseen events (contingencies), and \$3,660,000 (2.5% of budgeted expenditures and transfers out) was designated by City Council policy for start-up costs for future programs with potential to generate revenues sufficient to cover costs and repay the start-up investment. Both of these policies were adopted by the City Council in June 1996, and revised in June 2009. In addition, \$8,490,000 was earmarked to provide funds to deal with significant levels of potential financial volatility related to the uncertain economic climate and the unknown effects of the ongoing State budget imbalance. For the second time since its creation in 2002, \$5,514,000 of this designated fund balance was required to balance the General Fund operating budget. A positive \$1,332,000 was designated for fair value adjustments to the City's investment portfolio for net gains recognized by the City, but not yet realized at June 30, 2010, and \$92,000 was designated for specific purposes.

The fund balance of the City's General Fund decreased by \$2,198,000 during the 2009/10 fiscal year, compared to a decrease of \$6,595,000 in the prior year. Revenues and transfers of \$127,780,000 were 4.8% (\$6,472,000) lower than in FY 2008/09. Of the transfers in, \$2,654,000 was transferred into the fund balance amount designated for budget uncertainty from closed out or defunded capital projects. Decreases in property tax, sales tax, and investment earning all contributed to the negative revenue growth in the General Fund. Expenditures and transfers out of \$129,978,000 decreased by 6.9% (\$9,696,000).

Redevelopment Operations Fund – This is the Redevelopment Agency's operating fund and it is funded with transfers from the Agency's Debt Service Fund. This fund records the administrative expenditures required to support the Agency's capital projects and includes pass-through payments to other taxing entities. This fund balance totaled \$109,000 at June 30, 2010, compared to \$248,000 a year earlier. The decrease is attributable to the higher pass-through payments to other taxing entities.

Low and Moderate Income Housing Fund – This fund receives 20% of the Redevelopment Agency's tax increment revenue, \$7,525,000 in FY 2009/10, as a set-aside for development of affordable housing. This fund balance totaled \$19,839,000 at June 30, 2010, compared to \$11,987,000 a year earlier. The increase in fund balance is mainly due to lower project expenditures: \$1,170,000 was spent for the Eden Housing – Peralta Boulevard Senior Apartments in FY 2009/10, compared to \$7,140,000 in FY 2008/09, and \$1,040,000 was spent for the First-Time Home Buyers program compared to \$1,241,000 spent in FY 2008/09. All of this fund balance is designated for future low and moderate income housing projects as part of the Agency Board's adoption of the Agency's funding allocations plan and project appropriations plan.

Redevelopment Agency Debt Service Fund – This fund receives 80% of the Redevelopment Agency's tax increment revenue to repay outstanding debt and support the Agency's non-housing redevelopment projects. This amounted to approximately \$29,786,000 in FY 2009/10. Total tax increment revenue (including the 20% set-aside for housing) decreased 1.9% in FY 2009/10, to \$37,311,000 million

Management's Discussion and Analysis

from \$38,021,000 in the previous fiscal year. In addition to paying annual principal and interest charges on the Agency's tax allocation bonds, revenues are also transferred from this fund to the Agency's Redevelopment Operations Fund to support operations, and to the Capital Projects Fund for non-housing projects. During FY 2009/10, the total transfer out of this fund was \$20,000,000, of which \$5,000,000 went to capital projects and \$15,000,000 went to fund operating expenditures. The major operating expenditure was pass-through payments to other taxing jurisdictions (\$13,461,000). During FY 2009/10, the Agency paid off the remaining principal balance of \$22,085,000 of the 2004 Redevelopment Agency Tax Allocation Bonds. The total interest savings for this early redemption is \$2,209,000.

Redevelopment Agency Capital Projects Fund – This fund accounts for the remaining proceeds of tax allocation bonds and tax increment revenues that are not needed for debt service and can be used to fund the Agency's non-housing projects. Expenditures are shown in the community development and capital outlay categories. Fund balance totaled \$52,960,000 at June 30, 2010, compared to \$82,047,000 a year earlier. The decrease was due to regional transportation projects (\$7,200,000) and redevelopment efforts in the historic district project areas (\$7,400,000). In addition, the SERAF payment for \$10,919,000 was paid from this fund during the fiscal year.

Development Impact Fees – This fund represents the aggregate total of park dedication, park facility, fire impact, traffic impact and capital facility fees. These fees are levied on all new development in the City to pay for the construction and improvement of public facilities needed as a result of growth. Fees collected in FY 2009/10 were 70% higher than the amount collected in FY 2008/09. This large increase in annual collections is due to an increase in the number of residential permits issued, and Solyndra's significant plant expansion in FY 2009/10. During FY 2009/10, 81.4% of this fund's expenditures (\$5,091,000) were for park-related projects, and 18.5% (\$1,157,000) were for traffic-related impacts. In addition, \$950,000 was transferred to another fund for debt service related to capital facilities.

Because these funds are collected for construction or improvements of public facilities, the unreserved fund balance of \$57,486,000 is fully designated for capital projects, of which \$43,691,000 is related to park development and acquisition. These funds have not yet been spent because of the difficulty in obtaining suitable parcels of land and the operational maintenance impacts of adding new parks. These projects are progressing cautiously because of the need to ensure that sufficient operating revenues exist so that park facilities can be adequately and appropriately maintained.

Development Cost Center – This fund was established to account for engineering, planning, and building and construction inspection activities related to the City's land use planning and construction regulatory responsibilities. Its customers are not only the development community, but also the City itself for its own capital projects. Fees collected in this cost center are used for the benefit of the fee payers who are developing their real property by covering the costs of City regulatory programs.

Real property development activity has been significantly affected by the recession experienced in the early part of this decade, and the much more severe recession in which the community, along with the rest of the nation, now finds itself. In FY 2006/07, the total valuation of permits issued was \$285,831,000. In FY 2007/08, the total valuation increased significantly to \$390,898,000, mainly due to some large commercial and housing development permits issued that year. In FY 2008/09, there was a large decline in building permit activity due to the economic downturn, and total valuation fell to \$217,729,000. However, in FY 2009/10, there is once again a significant increase in building

Management's Discussion and Analysis

permit activity and the total valuation is \$438,352,000. This is mainly due to a large increase in the commercial activity for large projects such as Solyndra. At the end of FY 2009/10, unreserved fund balance totaled \$3,596,000, up from \$1,817,000 in the prior year. This fund balance is designated for various development cost center purposes and will be used to ensure some continuity of critical development services.

Recreation Services – This fund was established to account for the transactions and activities related to delivery of recreation services. Fees collected for recreation services are used for the development of programs and facilities benefiting fee payers. Fees in the amount of \$5,473,000 were 19.1% higher in FY 2009/10 than in the prior year (\$4,594,000). In contrast, expenditures decreased 2.1% (from \$6,877,000 to \$6,730,000). At the end of FY 2009/10, unreserved fund balance was \$3,987,000, an increase from \$3,413,000 in the prior year. Because every effort is made to ensure that recreation services offered are those the community wants, the remaining fund balance will be used to develop or maintain recreation facilities and preserve the continuity of recreation services during economic downturns.

Non-major Governmental Funds – The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2010, these funds had a total fund balance of \$80,085,000, of which \$10,681,000 is reserved for encumbrances and \$7,100,000 is reserved for debt service. The remaining \$62,304,000 is unreserved. All of this unreserved fund balance is designated for either special revenue or capital projects purposes. More information about these aggregated non-major funds can be found in the combining statements immediately following the required supplementary information.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget is prepared in accordance with generally accepted accounting principles. A summary of the budgetary comparison schedule for the General Fund, located in the required supplementary information following the notes to the financial statements, is as follows:

SUMMARY OF GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2010 (dollars in thousands)

	Original Budget	Final Budget	Actual Budget Basis	Variance from Final Budget
Beginning fund balance, July 1, 2009	\$ 25,857	\$ 25,857	\$ 31,099	\$ 5,242
Resources:				
Revenues	126,875	126,875	119,828	(7,047)
Transfers in	5,244	5,244	7,951	2,707
Total Resources	132,119	132,119	127,779	(4,340)
Charges to appropriations:				
Expenditures	119,585	119,316	117,399	1,917
Transfers out	16,468	16,737	12,579	4,158
Total charges to appropriations	136,053	136,053	129,978	6,075
Resources over (under) charges to appropriations	(3,934)	(3,934)	(2,199)	1,735
Ending fund balance, June 30, 2010	\$ 21,923	\$ 21,923	\$ 28,900	\$ 6,977

The beginning fund balance was \$5,242,000 higher than budgeted. Although total expenditures and transfers out during FY 2008/09 were \$1,874,000 greater than total revenues and transfers, there was more fund balance with which to start FY 2008/09.

Overall, FY 2009/10 General Fund revenues and transfers-in were 3.4% (\$4,340,000) lower than budgeted. Compared to the prior year, revenues declined by 6.0% (\$119,828,000 in FY 2009/10, as compared to \$127,491,000 in FY 2008/09). The FY 2009/10 adopted budget attempted to reflect the reality of the economic downturn and was only partially successful in that attempt. Revenues, particularly sales tax, continued to decline in FY 2009/10.

Property tax is the City's main revenue source in the General Fund and it decreased by \$892,000 or 1.4% from last fiscal year (from \$62,833,000 in FY 2008/09 to \$61,941,000 in FY 2009/10).

Sales tax is vulnerable to downturns in several segments of the economy. The general retail sales tax base has become a larger piece of the pie, with increases in retail such as the Pacific Commons development. After the "dot-com" bust, efforts to diversify the City's sales tax base were successful, with the result being a more balanced mix of sales tax segments. Sales tax declines in the City are not

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as severe as those experienced in other parts of the Bay Area and the State. The City's actual sales tax revenue for FY 2009/10 was \$26,770,000, a decrease of 15.4% from the prior fiscal year amount of \$31,631,000. A portion of this significant decline is due to the State's recovery of a "triple flip" overpayment in prior years. When that is factored out, the actual decline is a more modest 5.4%. Particular segments that are showing declines are those related to declines in the housing market, including sales of construction materials and home furnishings. Sales of new automobiles declined during FY 2009/10, leading to the closure of two car dealerships, although new dealerships have opened in recent months. As mortgage rates fell, many people used the equity in their homes to make major purchases. Now that the mortgage market has tightened and lenders have frozen some of these equity lines of credit, retail sales of major items, such as vehicles, have declined significantly.

Vehicle in-lieu license fee (VLF) revenues decreased by 12.8%, from \$727,000 in FY 2008/09 to \$634,000 in FY 2009/10. This decrease is due to the significant decline in vehicle sales.

Despite lower revenues of 6.0%, active management of expenditures allowed the General Fund to end FY 2009/10 with an operating deficit of \$2,199,000, compared to an operating deficit of \$3,934,000 that was anticipated in the original adopted budget. As a result, the General Fund needed \$1,735,000 less of the fund balance designated for budget uncertainty than was anticipated at the time of budget adoption. This leaves a balance in the fund balance designated for budget uncertainty of \$8,490,000.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Following is a summary of the City of Fremont's capital assets at June 30, 2010 and 2009:

SUMMARY OF CAPITAL ASSETS JUNE 30, 2010 AND 2009 (dollars in thousands)

	2010	2009	Percentage Change
Land	\$ 212,988	\$ 207,435	2.7%
Land improvements	5,260	5,260	0.0%
Infrastructure – non-depreciable	452,991	441,475	2.6%
Infrastructure – depreciable	322,589	322,063	0.2%
Buildings and improvements	195,004	173,832	12.2%
Equipment	20,573	20,303	1.3%
Vehicles	28,432	28,007	1.5%
Construction in progress	17,827	16,431	8.5%
Total Capital Assets	1,255,664	1,214,806	3.4%
Less: Accumulated depreciation	387,384	381,169	1.6%
Governmental activities capital assets, net	\$ 868,280	\$ 833,637	4.2%

The City's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$868,280,000 (net of accumulated depreciation), compared to \$833,637,000 in the prior year. These capital assets include land and land improvements, buildings, equipment, vehicles, streets, curbs and gutters, and construction in progress.

In FY 2009/10, the City added \$41,815,000 in new capital assets and disposed of \$957,000 in capital assets. The disposals consisted of vehicles and equipment that were almost fully depreciated. The net book value of disposed assets was \$110,000. Disposals are presented in the financial statements as a decrease in capital assets. The increase in building and improvements reflects the construction work completed for Fire Stations 8 and 2, and the Fire Training Facility. The increase in construction in progress represents the construction cost for the initial phase of the Warren Grade Separation project. In addition, \$4,740,000 was spent on land acquisition.

The City has adopted the modified approach of GASB Statement No. 34 for its roads and streets, which means that these capital assets are not required to be depreciated if certain conditions (as described in Item 2 of the Required Supplementary Information following the notes to the financial statements) are met. The City's policy has been to achieve an average Pavement Condition Index (PCI) rating of at least 70 for all of its roads and streets. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. At June 30, 2010, the City's roads and streets system was rated at an average PCI index of 62, down from the average PCI index of 64 in the prior year.

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As a result of the continuing decline of the PCI rating, coupled with the severe recession gripping the Bay Area and the nation, the City Council, for FY 2009/10, reaffirmed the use of the modified approach for the City's streets and roads infrastructure, and established a revised range of acceptable condition standard to be "fair" as measured by the City's pavement management system condition assessment index of between 50 and 69. With the continuing decline in the PCI index and the City's ongoing budget challenges, finding sufficient resources to fund street maintenance will be even more challenging for the foreseeable future.

Additional information about the City's capital assets can be found in Note 1.F and Note 4, following the basic financial statements.

Long-term Debt

At the end of FY 2009/10, the City had \$186,365,000 in bonds and notes outstanding. Of this amount, \$137,105,000 is related to certificates of participation and \$49,260,000 is for general obligation bonds. Following is a summary schedule of outstanding debt:

SUMMARY OF LONG-TERM DEBT JUNE 30, 2010 (dollars in thousands)

	Balance July 1, 2009	Incurred or Issued	Satisfied or Matured	Balance June 30, 2010
Redevelopment Agency Tax Allocation Bonds:				
Series 2004	\$ 26,070	\$ -	\$ 26,070	\$ -
General Obligation Bonds:				
Fire Safety Bonds 2003 – Series A	9,000	-	230	8,770
Fire Safety Bonds 2004 – Series B	25,000	-	510	24,490
Fire Safety Bonds 2009 – Series C	16,000	-	-	16,000
Certificates of Participation (COPs):				
1998 Public Financing Authority	10,270	-	305	9,965
1998 Public Financing Authority	15,340	-	620	14,720
2001 Public Financing Authority	30,540	-	835	29,705
2001B Public Financing Authority	8,000	-	400	7,600
2008 Public Financing Authority	27,675	-	400	27,275
2008 Public Financing Authority	48,685	-	845	47,840
Total	\$ 216,580	\$ 0	\$ 30,215	\$ 186,365

Management's Discussion and Analysis

Of the outstanding debt, 49% is fixed rate debt (compared to 55% in the prior year), with an average interest rate of approximately 4.22% (compared to 3.83% in the prior year). The remaining 51% of the outstanding debt is variable rate debt, with an average interest rate of 0.37% as of June 30, 2010 (compared to 0.42% at the end of the prior fiscal year). The average interest rate on all outstanding City debt is 2.32% at June 30, 2010 (compared to 2.50% for the prior year).

The City Council adopted a debt policy in February 1996 that limits debt obligations of the General Fund to 7% of budgeted expenditures and transfers out. As of July 1, 2010, debt obligations were approximately 5.7% of budgeted expenditures and transfers out, which is within the policy limit.

As of June 30, 2010, the three largest outstanding debt obligations were as follows:

- \$47,840,000 in capital COPs, issued on November 13, 2008, to finance the following:
 - » Refunding of outstanding 2002 variable rate COPs
 - » Provide \$15,700,000 of funding to construct Fire Station No. 11 and to acquire various pieces of major fire apparatus
- \$29,705,000 in capital COPs, issued in 2001, to finance the following:
 - » A police detention and property evidence storage facility
 - » HVAC improvements to the existing police building
 - » Retiring notes used to purchase land for a potential city hall site
 - » Acquisition of and improvements to new city offices at 3300 Capitol Avenue
 - » Acquisition of a site to be used for future construction of the City's Fire Station 11 in the southern Industrial Area. Construction was funded with a separate COP issue
- \$27,275,000 in capital COPs, issued on September 16, 2008, to finance the refunding of the outstanding 1990, 1991, and 2003 variable rate COPs

Additional information about the City's long-term debt can be found in Note 5, following the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Like most cities in California and throughout the country, Fremont has been rocked by the longest and deepest recession since the Great Depression. The financial turbulence in the global markets, the nationwide mortgage crisis and related housing downturn, and the State's significant budget problems all affect Fremont's local economic environment.

City finances and the community services that depend on those resources have been severely strained because of years of State takeaways of traditionally local revenues, coupled with a serious recession in the early years of this decade. Now another serious economic recession is affecting the entire nation. The City met previous difficult times by reducing spending throughout the organization and by focusing on attracting and retaining retail businesses to increase revenue. Management has been vigilant and disciplined over the past several years to not increase the workforce (other than critical public safety needs) and to keep expenditures in check. Just when it appears that the economy may

Management's Discussion and Analysis

be on the brink of a long, slow recovery, the effects of significant investment losses in the California Public Employees' Retirement System will begin to be reflected in employer contribution rates.

Total budgeted resources (including use of a portion of fund balance) in the coming year will be adequate to support total budgeted expenditures of \$135 million. The FY 2010/11 budget is 0.8% less than the prior year's adopted budget because of continued spending reductions in the face of an uncertain economic recovery. In the FY 2009/10 budget included 5% reductions for public safety departments, 10% reductions for all other departments, and an additional 20% reduction for community development cost center activities funded by development service regulatory fees. Even with these reductions, the budget continues to maintain the City Council's long-standing priorities by allocating 77% of the budget to direct costs for public safety and maintenance. When overhead costs required to support these functions are allocated, the resources budgeted for these purposes are actually 92% of the General Fund.

Locally, the City faces three major challenges. First, unemployment remains at historically high levels, which continues to have an impact on consumer-related revenues. Second, property tax revenues continue to suffer because of the rippling effects of the subprime mortgage debacle, the tightening of real estate lending standards, and continued high levels of unemployment. For the first time ever, the property tax inflation factor for assessed valuation growth under Proposition 13 was a negative amount in FY 2009/10. It is once again positive in FY 2010/11, but still only a fraction of the 2% ceiling allowed by Proposition 13. Finally, the New United Motors Manufacturing, Inc. (NUMMI) plant, a joint venture of General Motors and Toyota, closed at the end of March 2009. This means the loss of 3,500 jobs in Fremont, along with the effect this major plant closure will have on its suppliers. In May, Tesla purchased a portion of the NUMMI property for production of its electric cars, but manufacturing output will be only a fraction of what it was before. Accordingly, management remains extremely cautious and concerned about future revenue growth and its ability to keep pace with the costs of much-needed basic services.

In addition, the State's continued budget problems are a real threat. Seventy-six percent of the City's general revenue and 75% of its General Fund revenue are comprised of property and sales taxes and vehicle license fees controlled by the State Legislature. Fremont's financial future is directly linked to the fiscal health of the State government. Although a constitutional amendment (Proposition 1A) was passed by State voters in November 2004 that limits the amounts of reductions of local government revenues in FY 2006/07 and future years and characterizes those reductions as "loans" rather than "take-aways," management continues to be concerned because the State budget continues to have a significant structural imbalance.

In FY 2009/10, the State declared "significant financial hardship" and borrowed 8% of property tax revenues from cities, counties and special districts. For Fremont, the amount of this loan was \$5.6 million, to be repaid with 2% simple interest by no later than June 30, 2013. In October 2009, the City Council approved Fremont's participation in the Property Tax Securitization Program offered by the California Statewide Communities Development Authority (CSCDA). As part of this program, the City signed over its property tax receivable to CSCDA, which in turn used those receivables from a number of local agencies to secure bonds it sold in November 2009. The proceeds of the bonds were disbursed to participating local agencies to coincide with property tax payment dates by the counties. By no later than June 30, 2013, the State of California will repay its loans to CSCDA, rather than to the local agencies participating in the securitization program, for disbursement to the bondholders.

Management's Discussion and Analysis

In November 2010, California voters approved Proposition 22, which significantly limits the State's ability to access local funds to solve its own budget deficits. While certainly a significant step in the right direction of protecting local revenues, its effects are not retroactive, and it is unknown what additional actions the State may identify to solve its structural budget gap. In addition, voters also passed Proposition 26, which broadens the definition of special taxes subject to a 2/3 voter approval. This action further limits the revenue raising capabilities of local government.

Fremont is fortunate to have a diverse business community linked to Silicon Valley and a relatively stable real estate market as compared to neighboring communities. However, Fremont is not immune to all of the financial turmoil affecting governments at all levels throughout the country. The FY 2010/11 budget assumptions acknowledge the uncertainty in the economy and the State budget, and the budget includes contingency reserves to help the City deal with the risk. In response to the continuing uncertainty the City faces, the City will attempt to preserve basic services and sustain maintenance of infrastructure and public facilities. However, further actions may be needed to bring the City's budget back into balance in response to the effects of this recession.

The prudent budgeting and reserve policies developed since the last two recessions in the early part of the 1990s and the 2000s have enabled the City to manage through recent economic downturns. However, pressure is being placed on these reserves by the growing economic problems facing the entire country. Aggressive cost management, continued retail development, and fee increases along with the prudent use of fund balance and reserves can mitigate the impact of reduced revenues and cushion the effects on departmental budgets and services, but additional actions may be needed to keep the budget in balance. Management continues to monitor the budget closely, and to report regularly to the City Council.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Fremont's finances for all those with an interest in the City's financial activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Director, Harriet Commons, at 3300 Capital Avenue, P. O. Box 5006, Fremont, California 94537-5006.

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Basic Financial Statements

Government-Wide Financial Statements

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City of Fremont
Statement of Net Assets
June 30, 2010

(With comparative totals for June 30, 2009)

ASSETS	Governmental Activities	
	2010	2009
Current assets:		
Cash and investments held by City	\$ 264,469,139	\$ 337,017,212
Restricted cash and investments held by fiscal agent	7,455,011	12,596,995
Receivables:		
Property tax	678,923	1,124,122
Sales tax	4,129,439	3,731,707
Due from other governmental agencies	8,000,253	10,269,138
Accrued interest	12,676,582	11,398,251
Other	4,792,736	3,956,735
Total receivables	30,277,933	30,479,953
Prepays	3,764,808	-
Total current assets	305,966,891	380,094,160
Noncurrent assets:		
Housing loans receivable	5,045,850	4,850,850
Condemnation deposits	812,150	15,000
Deferred charges	1,588,509	1,654,377
Land for sale	2,821,430	2,821,430
Capital assets:		
Nondepreciable assets	689,066,764	670,602,007
Depreciable assets, net	179,213,471	163,035,186
Total capital assets, net	868,280,235	833,637,193
Total noncurrent assets	878,548,174	842,978,850
Total assets	1,184,515,065	1,223,073,010
LIABILITIES		
Current liabilities:		
Accounts payable	9,249,673	9,998,734
Tax and revenue anticipation notes payable	-	28,000,000
Salaries and wages payable	5,191,049	4,900,138
Compensated absences	2,198,268	2,143,550
Claims payable	5,007,000	4,442,000
Due to other governmental agencies	13,065,957	11,158,849
Interest payable	2,008,027	4,330,024
Unearned revenue	3,149,579	3,808,542
Other liabilities	8,890	-
Long-term debt - due within one year	5,935,000	8,125,607
Total current liabilities	45,813,443	76,907,444
Noncurrent liabilities:		
Compensated absences	6,594,805	6,357,017
Claims payable	8,581,000	7,556,000
Pollution remediation obligation	2,425,000	2,900,000
Net other post employment benefits liability	6,957,000	3,387,761
Long-term debt - due in more than one year	182,718,009	211,224,020
Total noncurrent liabilities	207,275,814	231,424,798
Total liabilities	253,089,257	308,332,242
NET ASSETS		
Invested in capital assets, net of related debt	692,580,546	617,287,566
Restricted for:		
Capital projects and capital asset maintenance	168,249,621	221,065,288
Debt service	6,177,152	4,589,862
Community development	36,604,647	23,879,500
Specific projects and programs	1,347,385	8,780,084
Total restricted	212,378,805	258,314,734
Unrestricted	26,466,457	39,138,468
Total net assets	\$ 931,425,808	\$ 914,740,768

See accompanying Notes to Basic Financial Statements.

City of Fremont

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 11,430,814	\$ 916,917	\$ -	\$ -	\$ 916,917
Police services	55,616,399	4,386,919	1,791,855	-	6,178,774
Fire services	33,959,301	2,909,491	701,552	-	3,611,043
Human services	8,939,110	1,864,397	3,427,241	-	5,291,638
Capital assets maintenance and operations	46,719,842	2,051,575	14,502,648	8,382,432	24,936,655
Recreation and leisure services	6,868,067	5,480,873	-	-	5,480,873
Community development and environmental services	52,910,594	15,953,963	2,430,886	-	18,384,849
Interest on debt	4,284,166	-	-	-	-
Total	\$ 220,728,293	\$ 33,564,135	\$ 22,854,182	\$ 8,382,432	\$ 64,800,749

General revenues:

Property tax
Sales tax
Business tax
Transient occupancy tax
Property transfer tax
Total taxes
Vehicle in-lieu license fees
Development impact fees
Franchise fees
Investment earnings
Miscellaneous

Total general revenues

Extraordinary item:

Pollution remediation obligation

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets	
Governmental Activities	
2010	2009
\$ (10,513,897)	\$ (13,129,068)
(49,437,625)	(49,503,849)
(30,348,258)	(31,067,822)
(3,647,472)	(3,528,572)
(21,783,187)	(12,631,999)
(1,387,194)	(2,325,065)
(34,525,745)	(36,067,505)
(4,284,166)	(9,616,078)
(155,927,544)	(157,869,958)
102,848,091	103,503,472
26,769,511	31,631,408
7,106,402	7,009,869
2,866,987	2,864,442
975,982	840,065
140,566,973	145,849,256
634,305	727,164
6,976,919	4,104,115
7,928,716	8,328,847
7,637,105	8,981,569
8,393,566	4,578,376
172,137,584	172,569,327
475,000	(2,900,000)
16,685,040	11,799,369
914,740,768	902,941,399
\$ 931,425,808	\$ 914,740,768

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Basic Financial Statements

Governmental Funds Financial Statements

City of Fremont
Balance Sheet
Governmental Funds
June 30, 2010

(With comparative totals for June 30, 2009)

	Major Funds			
	General Fund	Redevelopment Agency Operations	Low and Moderate Income Housing	Redevelopment Agency Debt Service
ASSETS				
Cash and investments held by City	\$ 22,495,701	\$ 13,220,505	\$ 20,417,059	\$ 373,140
Restricted cash and investments held by fiscal agent	-	-	1,037	9
Receivables:				
Property tax	655,906	-	-	-
Sales tax	4,129,439	-	-	-
Due from other governmental agencies	517,275	13,771	-	-
Housing loans receivable, net	580,699	-	3,000,000	-
Accrued interest	1,398,500	-	9,820,322	-
Other	1,946,849	-	-	-
Condemnation deposits	-	-	-	-
Due from other funds	3,874,118	-	-	-
Other assets	-	-	-	-
Total assets	\$ 35,598,487	\$ 13,234,276	\$ 33,238,418	\$ 373,149
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,679,096	\$ 16,606	\$ 564,917	\$ -
Tax and revenue anticipation notes payable	-	-	-	-
Salaries and wages payable	4,176,208	42,245	14,580	-
Compensated absences	-	-	-	-
Due to other funds	-	-	-	-
Due to other governmental agencies	-	13,065,957	-	-
Net other post employment benefits liability	-	-	-	-
Loans payable and other liabilities	-	-	-	-
Deferred revenue	842,521	-	12,820,322	-
Other accrued liabilities	-	-	-	-
Total liabilities	6,697,825	13,124,808	13,399,819	-
Fund Balances:				
Reserved for:				
Encumbrances	684,851	227,414	25,663	-
Debt service	-	-	-	-
Unreserved, designated, reported in:				
General fund	28,215,811	-	-	-
Special revenue funds	-	-	19,812,936	-
Capital projects funds	-	-	-	-
Unreserved, undesignated, reported in:				
General fund	-	-	-	-
Debt service	-	-	-	373,149
Special revenue funds	-	(117,946)	-	-
Capital projects funds	-	-	-	-
Total fund balances	28,900,662	109,468	19,838,599	373,149
Total liabilities and fund balances	\$ 35,598,487	\$ 13,234,276	\$ 33,238,418	\$ 373,149

See accompanying Notes to Basic Financial Statements.

Major Funds					Total Governmental Funds	
Redevelopment Agency Capital Projects	Development Impact Fees	Development Cost Center	Recreation Services	Non-major Funds	2010	2009
\$ 54,363,138	\$ 58,647,303	\$ 5,798,927	\$ 5,115,520	\$ 67,971,446	\$ 248,402,739	\$ 323,164,696
-	-	-	8,663	7,445,302	7,455,011	12,596,995
-	-	-	-	23,017	678,923	1,124,122
-	-	-	-	-	4,129,439	3,731,707
313,109	-	-	-	7,156,098	8,000,253	10,269,138
-	-	-	-	1,465,151	5,045,850	4,270,151
-	-	-	-	1,457,760	12,676,582	11,398,251
-	-	386,699	-	2,271,981	4,605,529	4,384,380
-	-	-	-	-	-	-
-	-	-	-	-	3,874,118	5,077,462
-	-	-	-	3,764,808	3,764,808	-
<u>\$ 54,676,247</u>	<u>\$ 58,647,303</u>	<u>\$ 6,185,626</u>	<u>\$ 5,124,183</u>	<u>\$ 91,555,563</u>	<u>\$ 298,633,252</u>	<u>\$ 376,016,902</u>
\$ 1,716,617	\$ 567,256	\$ 77,362	\$ 149,025	\$ 4,357,262	\$ 9,128,141	\$ 9,403,479
-	-	-	-	-	-	28,000,000
-	-	518,874	213,079	113,466	5,078,452	4,771,943
-	-	-	-	-	-	24,544
-	-	-	-	3,874,118	3,874,118	5,077,462
-	-	-	-	-	13,065,957	11,158,849
-	-	-	-	8,890	8,890	-
-	-	1,895,126	775,237	3,117,031	19,450,237	18,098,919
-	-	-	-	-	-	-
<u>1,716,617</u>	<u>567,256</u>	<u>2,491,362</u>	<u>1,137,341</u>	<u>11,470,767</u>	<u>50,605,795</u>	<u>76,535,196</u>
5,560,726	593,783	98,200	-	10,680,761	17,871,398	35,757,943
-	-	-	-	7,099,539	7,099,539	13,611,133
-	-	-	-	-	28,215,811	30,713,126
-	-	3,596,064	3,986,842	28,486,918	55,882,760	47,612,657
47,398,904	57,486,264	-	-	35,810,017	140,695,185	175,423,906
-	-	-	-	-	-	-
-	-	-	-	-	373,149	-
-	-	-	-	(431,862)	(549,808)	(490,498)
-	-	-	-	(1,560,577)	(1,560,577)	(3,146,561)
<u>52,959,630</u>	<u>58,080,047</u>	<u>3,694,264</u>	<u>3,986,842</u>	<u>80,084,796</u>	<u>248,027,457</u>	<u>299,481,706</u>
<u>\$ 54,676,247</u>	<u>\$ 58,647,303</u>	<u>\$ 6,185,626</u>	<u>\$ 5,124,183</u>	<u>\$ 91,555,563</u>	<u>\$ 298,633,252</u>	<u>\$ 376,016,902</u>

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City of Fremont
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

(With comparative totals for June 30, 2009)

	2010	2009
Total Fund Balances - Total Governmental Funds	\$ 248,027,457	\$ 299,481,706
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet, net of Internal Service Funds assets of \$2,645,573.	865,634,662	830,884,150
Interest payable on Tax Revenue Anticipation Notes (TRAN) and long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(2,008,027)	(4,330,024)
Deferred charges on bonds not recorded in the governmental funds, which were previously recorded as expenditures and amortized over the terms of the bonds.	1,588,509	1,654,377
Condemnation deposits reported as noncurrent assets, while reported as capital outlay in Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances.	812,150	15,000
Internal service funds are used to charge the costs of insurance and information technology to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets.	7,898,481	3,470,832
Housing loans and other receivable is reported as deferred revenue in the Governmental Funds, but should be reflected as income in the Government-Wide Statement of Net Assets	580,699	580,699
Interest receivable is reported as deferred revenue in the Governmental Funds, but should be reflected as income in the Government-Wide Statement of Net Assets	15,719,959	13,709,678
Accruals for compensated absences are long term liabilities and are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(8,793,073)	(8,476,023)
Other Post Employment Benefits (OPEB) Liability on Government-Wide Statements, not in Governmental Funds	(6,957,000)	-
Pollution remediation obligations are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	(2,425,000)	(2,900,000)
Long-term debts are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(188,653,009)	(219,349,627)
Net Assets of Governmental Activities	\$ 931,425,808	\$ 914,740,768

City of Fremont

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Major Funds			
	General Fund	Redevelopment Agency Operations	Low and Moderate Income Housing	Redevelopment Agency Debt Service
REVENUES:				
Intergovernmental:				
Property tax	\$ 61,940,809	\$ -	\$ 7,524,854	\$ 29,785,906
VLF Swap	-	-	\$ -	-
Sales tax	26,769,511	-	-	-
Vehicle license fees	634,305	-	-	-
Intergovernmental	169,122	-	-	-
Business tax	7,106,402	-	-	-
Other taxes	3,842,969	-	-	-
Impact fees	-	-	-	-
Franchise fees	7,928,716	-	-	-
Charges for services	8,703,893	-	-	-
Investment earnings	1,748,364	216,657	287,268	69,303
Other	984,149	120,551	4,849,869	-
Total revenues	119,828,240	337,208	12,661,991	29,855,209
EXPENDITURES:				
Current:				
General government	11,126,970	-	-	-
Police services	52,300,564	-	-	-
Fire services	30,848,121	-	-	-
Human services	3,415,273	-	-	-
Capital assets maintenance and operations	17,528,049	-	-	-
Recreation services	-	-	-	-
Community development and environmental services	918,248	1,856,490	4,632,567	-
Intergovernmental	-	13,461,180	-	-
Capital outlay	78,422	-	-	-
Debt service:				
Principal	-	-	-	3,985,000
Interest and fiscal charges	1,184,016	-	90,000	1,068,846
Total expenditures	117,399,663	15,317,670	4,722,567	5,053,846
REVENUES OVER (UNDER) EXPENDITURES	2,428,577	(14,980,462)	7,939,424	24,801,363
OTHER FINANCING SOURCES (USES):				
Debt issuance	-	-	-	-
Premium on debt issuance	-	-	-	-
Payments to defease bonds	-	-	-	(22,085,000)
Proceeds from HELP Loan	-	-	-	-
Transfers in	7,951,346	15,007,738	-	10,500,000
Transfers out	(12,578,614)	(165,860)	(88,218)	(20,000,000)
Refunding of current debt	-	-	-	-
Total other financing sources (uses)	(4,627,268)	14,841,878	(88,218)	(31,585,000)
Net change in fund balances	(2,198,691)	(138,584)	7,851,206	(6,783,637)
FUND BALANCES:				
Beginning of year, restated	31,099,353	248,052	11,987,393	7,156,786
End of year	\$ 28,900,662	\$ 109,468	\$ 19,838,599	\$ 373,149

Major Funds					Total Governmental Funds	
Redevelopment Agency Capital Projects	Development Impact Fees	Development Cost Center	Recreation Services	Non-major Funds	2010	2009
\$ -	\$ -	\$ -	\$ -	\$ 3,596,522	\$ 102,848,091	\$ 103,503,472
-	-	-	-	-	-	-
-	-	-	-	-	26,769,511	31,631,408
-	-	-	-	-	634,305	727,164
-	-	-	-	30,541,330	30,710,452	32,643,976
-	-	-	-	-	7,106,402	7,009,869
-	-	-	-	-	3,842,969	3,704,507
-	6,976,919	-	-	-	6,976,919	4,104,115
-	-	-	-	-	7,928,716	8,328,847
-	-	9,533,384	5,472,815	7,843,762	31,553,854	29,862,646
1,883,127	1,284,424	143,975	115,671	1,577,043	7,325,832	8,760,151
-	-	-	73,022	2,299,004	8,326,595	4,508,980
1,883,127	8,261,343	9,677,359	5,661,508	45,857,661	234,023,646	234,785,135
-	-	-	-	-	11,126,970	11,711,458
-	-	-	-	1,498,435	53,798,999	54,573,391
-	-	-	-	623,457	31,471,578	32,710,995
-	-	-	-	5,514,566	8,929,839	8,582,926
-	1,556,550	-	-	21,301,803	40,386,402	39,069,515
-	-	-	6,720,593	-	6,720,593	6,876,778
4,252,459	-	8,052,129	-	8,682,097	28,393,990	42,360,414
10,918,986	-	-	-	1,802,150	26,182,316	12,753,545
10,299,231	4,696,771	8,000	9,020	26,845,322	41,936,766	39,318,636
-	-	-	-	4,145,000	8,130,000	20,390,000
-	-	-	-	4,679,051	7,021,913	10,235,890
25,470,676	6,253,321	8,060,129	6,729,613	75,091,881	264,099,366	278,583,548
(23,587,549)	2,008,022	1,617,230	(1,068,105)	(29,234,220)	(30,075,720)	(43,798,413)
-	-	-	-	-	-	92,360,000
-	-	-	-	-	-	353,665
-	-	-	-	-	(22,085,000)	-
-	-	-	-	-	-	1,500,000
5,000,000	-	2,433,844	2,456,373	8,544,438	51,893,739	71,731,048
(10,500,000)	(950,000)	(2,175,164)	(814,283)	(3,915,129)	(51,187,268)	(71,155,437)
-	-	-	-	-	-	(57,815,000)
(5,500,000)	(950,000)	258,680	1,642,090	4,629,309	(21,378,529)	36,974,276
(29,087,549)	1,058,022	1,875,910	573,985	(24,604,911)	(51,454,249)	(6,824,137)
82,047,179	57,022,025	1,818,354	3,412,857	104,689,707	299,481,706	306,305,843
\$ 52,959,630	\$ 58,080,047	\$ 3,694,264	\$ 3,986,842	\$ 80,084,796	\$ 248,027,457	\$ 299,481,706

City of Fremont

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	2010	2009
Net Change in Fund Balances - Total Governmental Funds	\$ (51,454,249)	\$ (6,824,137)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets additions recorded in the current period.	41,124,616	40,304,778
Condemnation deposit increase/decrease due to land acquired and legal expenses paid during the year.	797,150	(893,853)
Contributions of infrastructure assets from developers not reported as revenue in governmental funds.	526,162	817,899
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation, net of \$272,127 from the Internal Service Funds is not reported as an expenditure in governmental funds.	(6,790,138)	(7,177,247)
Losses on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but do not require the use of current financial resources. Therefore, it is not reported as an expenditure in governmental funds.	(110,128)	(236,520)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets.	-	(92,360,000)
Premium from new debt issuance provides current financial resources to governmental funds but is amortized in the Government-Wide Statement of Activities and Changes in Net Assets.	-	(353,665)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	30,215,000	78,205,000
Revenues that do not meet the criteria for accrual are recorded as deferred revenues in the Fund Financial Statements. In the Government-Wide Financial Statements, these amounts are recorded as revenues.	-	3,000,000
Loan proceeds were reported as revenues in the Governmental Funds, but they are not revenues on the Government-wide Financial Statement	-	(1,500,000)
The net change in interest payable on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources.	2,321,997	(952,292)
Unamortized long term discount/premium is accrued in Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, unamortized long term discount/premium is not reported as an expenditure in governmental funds.	481,618	1,171,525
Prepaid bond issuance costs are amortized in Government-Wide Statement of Activities and Changes in Net Assets, but are reported as expenditures in governmental funds.	(65,868)	400,579
Internal service funds are used to charge the costs of insurance and information technology, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	1,039,888	(982,317)
Accrual of OPEB liability on the Government-Wide Statement of Activities and Changes in Net Assets under full accrual	(3,569,239)	-
Increase/decrease in interest receivable is reported in the Government-Wide Statement of Activities and Changes in Net Assets under full accrual basis of accounting but is recorded as deferred revenue under modified accrual for the Governmental Funds.	2,010,281	1,822,152
Pollution remediation obligations are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	475,000	(2,900,000)
Changes in long term compensated absences in governmental activities are not reported in governmental funds	(317,050)	257,467
Change in Net Assets of Governmental Activities	\$ 16,685,040	\$ 11,799,369

Basic Financial Statements

Proprietary Fund Financial Statements

City of Fremont
Statement of Net Assets
Proprietary Fund
June 30, 2010

(With comparative totals for June 30, 2009)

	Internal Service	
	2010	2009
ASSETS		
Current assets:		
Cash and investments held by City	\$ 16,066,400	\$ 13,852,516
Receivables:		
Other receivables	187,207	153,054
Total current assets	16,253,607	14,005,570
Noncurrent assets:		
Depreciable assets	8,921,774	8,757,117
Less accumulated depreciation	(6,276,201)	(6,004,074)
Land held for resale	2,821,430	2,821,430
Total noncurrent assets	5,467,003	5,574,473
Total assets	21,720,610	19,580,043
LIABILITIES		
Current liabilities:		
Accounts payable	121,532	595,255
Salaries and wages payable	112,597	128,195
Compensated absences	-	-
Claims payable	5,007,000	4,442,000
Total current liabilities	5,241,129	5,165,450
Noncurrent liabilities:		
Claims payable	8,581,000	7,556,000
Net other post employment benefits liability	-	3,387,761
Total noncurrent liabilities	8,581,000	10,943,761
Total liabilities	13,822,129	16,109,211
NET ASSETS		
Invested in capital assets	2,645,573	2,753,043
Unrestricted	5,252,908	717,789
Total net assets	\$ 7,898,481	\$ 3,470,832

See accompanying Notes to Basic Financial Statement

City of Fremont

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Internal Service	
	2010	2009
OPERATING REVENUES:		
Charges for services	\$ 12,631,878	\$ 14,367,201
Other	66,971	69,396
Total operating revenues	12,698,849	14,436,597
OPERATING EXPENSES:		
Salaries and wages	3,116,648	3,245,091
Insurance premiums	809,851	797,734
Provision for claim losses	5,492,170	5,496,760
Claims administration	250,868	342,928
Materials and supplies	1,263,431	1,261,275
Depreciation	272,127	456,692
Other postemployment benefits	-	3,387,000
Other	58,668	77,240
Total operating expenses	11,263,763	15,064,720
OPERATING INCOME (LOSS)	1,435,086	(628,123)
NONOPERATING REVENUES:		
Investment income	311,273	221,418
Total nonoperating revenues	311,273	221,418
Contributed capital assets	-	-
Transfers in	77,607	57,037
Transfers out	(784,078)	(632,649)
INCREASE (DECREASE) IN NET ASSETS	1,039,888	(982,317)
NET ASSETS:		
Beginning of year, restated	6,858,593	4,453,149
End of year	\$ 7,898,481	\$ 3,470,832

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Cash Flows
Proprietary Fund

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Internal Service	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from users	\$ 12,597,725	\$ 14,380,142
Other revenue	66,971	69,396
Less: Payments to suppliers	(2,797,873)	(2,068,362)
Payments for employees services	(3,132,246)	(3,236,556)
Payments for claims paid	(3,902,170)	(3,856,760)
Payments for other post employment benefits	-	(1,772,404)
Payments to others	(58,668)	(77,240)
Net cash provided (used) by operating activities	2,773,739	3,438,216
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash and investments	311,273	221,418
Net cash provided by investing activities	311,273	221,418
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Acquisition of capital assets	(164,657)	(356,247)
Net cash provided (used) by capital activities	(164,657)	(356,247)
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Contributed capital assets	-	-
Transfers in	77,607	57,037
Transfers out	(784,078)	(632,649)
Net cash (used) by noncapital activities	(706,471)	(575,612)
Net increase in cash and cash investments	2,213,884	2,727,775
CASH AND INVESTMENTS:		
Beginning of year	13,852,516	11,124,741
End of year	<u>\$ 16,066,400</u>	<u>\$ 13,852,516</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,435,086	\$ (628,123)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	272,127	456,692
Changes in assets and liabilities:		
Other receivables	(34,153)	12,941
Accounts payable	(473,723)	333,575
Salaries and wages payable	(15,598)	8,535
Compensated absences	-	-
Claims payable	1,590,000	1,640,000
Depreciable assets	-	-
Other post employment benefits payable	-	1,614,596
Net cash provided (used) by operating activities	\$ 2,773,739	\$ 3,438,216

See accompanying Notes to Basic Financial Statements.

Basic Financial Statements

Fiduciary Funds Financial Statements

City of Fremont
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010
(With comparative totals for June 30, 2009)

		Total	
		2010	2009
<u>All Agency Funds</u>			
Assets:			
Cash and investments held by City	\$	14,403,877	\$ 17,061,453
Restricted cash and investments held by City		-	2,019,526
Restricted cash and investments held by fiscal agent		8,357,971	10,362,980
Interest receivable		-	36,775
Accounts receivable		636,922	1,491,193
Other receivables		59,982	215,132
Total assets	\$	23,458,752	\$ 31,187,059
Liabilities:			
Accounts payable	\$	100,676	\$ 169,365
Cash overdraft		47,953	4,390
Deposits		23,310,123	31,013,304
Total liabilities	\$	23,458,752	\$ 31,187,059

See accompanying Notes to Basic Financial Statements.

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Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Fremont, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City was incorporated in January 1956. The City has a council-manager form of government and provides a wide range of municipal services. These basic financial statements present the City and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief overview of the component units included in the accompanying basic financial statements of the City. Financial information for these component units can be obtained from the City's Finance Department.

Redevelopment Agency of the City of Fremont (Agency) – A separate governmental entity established for the purpose of redeveloping certain areas of the City through development of industrial parks, commercial areas, and new residential housing. Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds and advances from the City. Separate financial statements for the Agency are available from the City's Finance Department.

Fremont Public Financing Authority (Financing Authority) – A joint powers authority formed by the City and the Agency, organized for the purpose of financing certain capital projects for the City or the Agency. Separate financial statements are not issued for the Financing Authority.

Fremont Social Services JPA (Social Services JPA) – A joint powers authority formed by the City and the Agency, organized for the purpose of facilitating the activities of the Family Resource Center. In 1998, the Social Services JPA entered into a 40-year lease with the City for the two buildings that house the Family Resource Center. The Social Services JPA has committed to subleasing this space to CDBG-eligible tenants at below-market rents over the 40-year lease term. Rents collected from CDBG-eligible tenants are used to make payments on the debt service obligations incurred in connection with the purchase of the buildings. Separate financial statements are not issued for the Social Services JPA.

The City Council serves in separate session as the governing body of the Agency, the Financing Authority, and the Social Services JPA. As a result, the financial activities of these entities are integrally related to those of the City and are "blended" with those of the City.

Notes to Basic Financial Statements

Other governmental agencies that provide services within the City include the following:

- Ohlone Community College District
- Fremont Unified School District
- Alameda County Flood Control & Water Conservation District
- Union Sanitary District
- Alameda County Water District
- East Bay Regional Park District
- Washington Township Hospital District and related organizations
- Alameda-Contra Costa Transit District
- Bay Area Rapid Transit District
- State of California
- County of Alameda

Financial information for the organizations listed on the prior page is not included in the accompanying basic financial statements because they have independently elected governing boards, their operations are separate from those of the City, and they are not financially dependent on the City.

Governmental Activities

The City reports the following governmental activities:

General Government – These services are those that are associated with the general administration of the government. These services are primarily provided by the following offices/departments: City Council, City Manager, City Attorney, City Clerk, Finance, and Human Resources. These offices provide services that support external as well other internal government functions of the City.

Police Services – The Police Department is responsible for the safeguarding of citizens' lives and property, the preservation of constitutional rights, and neighborhood problem solving. These services also include the animal shelter and jail bookings.

Fire Services – The Fire Department is responsible for providing fire and life safety emergency services, including emergency response, paramedic services, public education, emergency-preparedness training and hazardous materials management services.

Human Services – The Human Services Department offers a range of services to the community, including a senior center, paratransit services, counseling, and support for seniors, families and youth.

Capital Asset Maintenance and Operations – These services include maintenance of the City's capital assets and infrastructure, such as public buildings, parks, streets and vehicles.

Recreation Services – Services provided by the Parks and Recreation Department include performing and visual arts, youth and adult sports, youth and early childhood enrichment programs, park visitor services, and management of the community centers, special facilities, and historic sites.

Community Development and Environmental Services – These services are provided by the Community Development Department and the Environmental Services Division of the Transportation and Operations Department and include community planning, engineering, code enforcement, building permit and inspection services, and environmental services that enhance and preserve a high quality living environment within the City.

Intergovernmental – In accordance with pass-through fiscal agreements with various taxing authorities, the Redevelopment Agency must claim 100% of its property tax increment for the redevelopment project areas and pass through contractually or statutorily determined amounts to other taxing authorities.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal service fund balances in the Statement of Net Assets have been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

Notes to Basic Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. Accompanying schedules are presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that meet the criteria prescribed in GASB Statement No. 34.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The City reports the following major governmental funds:

General Fund – This fund is the City’s primary operating fund. It accounts for all financial resources and outlays of the general government. The fund receives the City’s discretionary funding sources (e.g., property tax, sales tax, charges for services, etc.) and uses its resources for the general operations of the City (e.g., police, fire, general government) not accounted for in other funds.

Redevelopment Agency Operations – This is the Redevelopment Agency’s operating fund and is funded with transfers from the Debt Service Fund. This fund records the administrative expenditures required to support the Agency’s capital projects and includes pass-through payments to other taxing entities and tax increment revenue shifted to the State’s Educational Revenue Augmentation Fund.

Low and Moderate Income Housing – This fund receives 20% of the Redevelopment Agency’s tax increment revenue as a set aside for affordable housing developments.

Redevelopment Agency Debt Service Fund – This fund receives 80% of tax increment revenue to support the Agency’s non-housing redevelopment projects. Revenues are used to pay annual principal and interest charges on the Agency’s tax allocation bonds, and may also be transferred to the Agency’s Operations Fund or Capital Projects Fund, as needed.

Redevelopment Agency Capital Projects – This fund includes the remaining proceeds of the tax allocation bonds and tax increment revenues that are designated for the Agency’s non-housing projects. Expenditures are shown in the community development and capital outlay categories

Development Impact Fees – This fund accounts for impact fees levied under California Government Code Sections 66000 et seq., “Fees for Development Projects” (commonly referred to as AB1600) and Section 66477 (commonly referred to as the Quimby Act). The City assesses fees for fire, capital facilities, traffic, park dedication in lieu, and park facilities. These fees are used to defray all or a portion of the cost of additional public facilities needed to provide service to new development.

Notes to Basic Financial Statements

Development Cost Center – This fund accounts for services related to planning, engineering and inspection of public and private development construction projects.

Recreation Services – This fund accounts for all recreation programs and services, including Central Park and activities of the community centers. Fees are generated from the various classes and programs offered to the public. All costs of these programs are funded from these fees and from resources provided by the General Fund.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 90 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures and licenses and permits are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures or when monies are received before the related services are performed. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences between the integrated approach of GASB Statement No. 34 and the traditional approach of fund accounting.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Notes to Basic Financial Statements

The City reports the following proprietary fund:

Internal Service – These funds account for the Risk Management and Information Technology services provided to other City departments on a cost reimbursement basis.

Internal service fund balances and activities have been combined with governmental activities in the government-wide financial statements.

Fiduciary Funds Financial Statements

Fiduciary fund financial statements consist of a Statement of Net Assets. The City's fiduciary funds consist of agency funds, which are custodial in nature and do not involve measurement of results of operations. The agency funds use the accrual basis of accounting.

The City reports the following agency funds:

Local Improvement Districts – This fund accounts for the special assessment bonds issued by local improvement districts or community facility districts under various public improvement acts of the State of California and secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. Property owners are assessed their proportionate share, and the City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders and initiating foreclosure proceedings when necessary.

Performance Bonds, Deposits and Confiscated Assets – This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police, and other deposits held by the City as a fiduciary.

Tri-City Waste Facility Financing Authority – This fund accounts for revenue bonds issued by the cities of Fremont, Newark, and Union City for the closure of the Durham Road Landfill. The outstanding revenue bonds were paid in full in February 2010.

Southern Alameda County GIS – This fund accounts for monies collected from participating agencies for the administration of the Geographic Information System (GIS) through a JPA. The City is the administrator of the GIS, which serves the participating agencies. The parties to the JPA are the City of Fremont, City of Union City, City of Newark, Union Sanitary District, and Alameda County Water District.

C. Cash and Investments

The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other fixed income investments with varying terms.

Notes to Basic Financial Statements

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures - an Amendment of GASB No. 3, certain disclosures for deposits and investment risks are made in the following areas:

- » Interest Rate Risk
- » Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk

In addition, Note 2 provides additional information about the City's deposits and investments, highly (interest) sensitive investments, and the credit quality of the investments held at year-end.

Investments are presented at fair value except as noted below. The fair value of participants' position in the external investment pool is the same as the value of the investment pools' shares and investment income, which includes changes in fair value (i.e., realized and unrealized gains or losses). Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities (notes, bills, and bonds of the U.S. government and its agencies), and participating interest-earnings investment contracts (such as negotiable certificates of deposit, certificates of deposit, and repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost which approximates market value. Interest earned on investments is allocated to all funds on the basis of daily cash and investment balances.

The City participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. These structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Cash and cash equivalents are considered to be cash on hand, amounts in demand deposits and short-term investments with original maturities of three months or less from the date acquired by the City.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by a fiscal agent or the City for the redemption of bonded debt and for acquisition and construction of certain capital projects.

E. Interfund Transactions

During the normal course of operations, the City has numerous transactions among funds. The significant interfund transactions that occurred during the year can be classified into two types:

Transfers - Transactions to allocate the occurrence of specific expenditures within the receiving fund. These transactions are recorded as transfers in and out in the year in which they are approved.

Notes to Basic Financial Statements

Loans Between Funds – Transactions to loan resources from one fund to another. The interfund loans will be paid back when permanent financing is obtained or definitive funding sources become available. Short-term loans are recorded as “due from other funds” in the disbursing fund and “due to other funds” in the receiving fund.

F. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure capital assets at \$25,000 and for all other capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets, as follows:

Buildings	50 years
Building Improvements	20 years
Machinery and Equipment	5 - 25 years
Infrastructure	15 - 100 years
Vehicles	5 - 27 years

The City defines infrastructure as the basic physical assets that allow the City to function. These assets include the street system, park and recreation lands and improvements system, storm water collection system, and site amenities associated with buildings, such as parking and landscaped areas, used by the City in the conduct of its business.

The City uses the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting of its streets, concrete and asphalt pavements. For all other infrastructure systems, the City uses the basic approach, as defined by GASB Statement No. 34.

The City commissioned an appraisal of City-owned infrastructure and property as of December 31, 2001, and has completed internal updates for June 30, 2010. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line cost method, was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

G. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers’ compensation claims. The estimated liability for workers’ compensation claims and general liability claims includes incurred but not reported (IBNR) claims. There is no fixed payment schedule to pay any of these liabilities.

H. Compensated Absences

In accordance with negotiated labor agreements, employees accumulate earned but unused vacation and other compensated leave, and sick pay benefits. There is no liability for unpaid accumulated sick leave because the City does not pay any amounts when employees separate from service with the City. All vacation and other compensated leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if it is expected to be settled with current financial resources.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental-type funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Net Assets and Fund Balances

Government-Wide Financial Statements

In the government-wide financial statements, net assets are reported in one of three categories:

Invested in Capital Assets, Net of Related Debt – This category consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – External creditors, grantors, contributors, or laws or regulations of other governments restrict this amount.

Unrestricted Net Assets – This category consists of all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans for future use of financial resources and are subject to change.

Notes to Basic Financial Statements

Reservations of fund balances of governmental funds are created to either a) satisfy legal covenants, including State laws, that require a portion of the fund balance be segregated or b) identify the portion of the fund balance not available for future expenditures. Designated fund balances represent tentative plans for future use of financial resources. Fund reservations and designations used by the City include the following:

- **Reserved for Encumbrances** represents commitments for materials and services on purchase orders and contracts, which are unperformed at year-end.
- **Reserved for Debt Service** is provided to set aside funds legally restricted for the payment of principal and interest on long-term debt.
- **Designated for Budget Uncertainty** represents the amounts set up as a hedge against the primary sources of uncertainty in the City's budgets and long-range financial plans.
- **Designated for Program Investment** represents amounts provided for new programs or enterprises that have the potential for costs to be covered by future revenues. This designation is funded at 2.5% of budgeted General Fund expenditures and transfers out, in accordance with Council policy.
- **Designated for Contingencies** is provided to set aside funds to meet costs associated with unforeseen events. This designation is funded at 10.0% of budgeted General Fund expenditures and transfers out, in accordance with Council policy.
- **Designated for Fair Value Adjustments** represents amounts provided for unrealized gains and losses as a result of changes in the fair market value of investments.
- **Designated for Vehicle Replacement** represents funds designated to cover the replacement cost associated with City-owned vehicles.
- **Designated for Capital Projects** represents funds set aside for capital projects as determined by City Council.
- **Designated for Specific Purposes** represents funds designated for other specific purposes.

K. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

L. Property Tax

Under California law, property taxes are assessed and collected by the counties at a rate of up to 1% of assessed value, plus other increases approved by the voters. Property taxes go into a pool and are then allocated to cities based on complex formulas. Property taxes are collected by the Auditor-Controller of the County of Alameda (County) and are remitted upon collection to the various taxing

Notes to Basic Financial Statements

entities, including the City and the Agency. Accordingly, the City and the Agency accrue only those taxes that are received from the County within sixty days after year-end.

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Unsecured property comprises all taxable property not attached to land, such as personal property or business property. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

Valuation of secured property and establishment of a statutory tax lien occur as of January 1 prior to the tax year (the tax year is the July 1 – June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 31 of the tax year by the County Assessor.

Lien Date (Secured)	January 1
Levy Date	January 1
Secured Taxes – Due Date	November 1 and February 1
Secured Taxes – Delinquency Date	December 10 and April 10
Unsecured Taxes – Due Date	July 1
Unsecured Taxes – Delinquency Date	August 31

Neither the City nor the Agency has the ability to control the levy rate or the amount of property taxes remitted by the County because these are governed by State law.

M. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from these estimates and assumptions.

N. Comparative Data

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations of the City.

Notes to Basic Financial Statements

O. Implementation of New GASB Pronouncements

The City has implemented the following new Governmental Accounting Standards Board Statements:

- Statement No. 51, Accounting and Financial Reporting for Intangible Assets - This Statement defines accounting and reporting requirements for intangible assets. The implementation of this statement has not had a significant impact on the City's financial statements.
- Statement No. 53, Accounting and Financial Reporting on Derivative Instruments - This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments to manage specific risks or to make investments. The implementation of this statement has no impact on the City's financial statements.

2. CASH AND INVESTMENTS

The City maintains an internal cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled, and are reported as cash with fiscal agents.

Investment income earned on pooled cash and investments is allocated monthly to the various funds based on average daily cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related funds.

A. Authorized Investments

The City's investment policy is adopted annually by the City Council in accordance with California Government Code Section 53601, and has as its objectives the following (in order of priority):

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in the portfolio's composition.
- **Liquidity:** The portfolio shall remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated. Liquidity refers to the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest.
- **Yield:** The portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Notes to Basic Financial Statements

Under provisions of the City's investment policy, the City may invest in the following types of investments:

- Bonds and notes issued by the City.
- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Registered state warrants or treasury notes or bonds issued by the State of California.
- Bonds, notes, warrants, or other evidence of debt issued by a local agency within the State of California with the highest credit rating (on the date of purchase) by two nationally recognized rating services.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Bankers' acceptances with a term not to exceed 180 days.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation, on the date of purchase.
- Negotiable certificates of deposit issued by federally chartered or state-chartered banks or associations or by a state-licensed branch of a foreign bank.
- Repurchase agreements that comply with statutory requirements, are documented by a written agreement, are fully collateralized by delivery to an independent third-party custodian or the counter party's bank's trust department or safekeeping department, and are for a term of one year or less.
- Medium-term notes with a maximum maturity of five years issued by corporations organized and operating in the United States.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations (e.g., money market mutual funds).
- Insured or collateralized time deposits or savings accounts secured in accordance with the provisions of Sections 53651 and 53652 of the California Government Code.
- Any pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond with a maximum maturity of five years.
- Guaranteed investment agreements for funds that can be invested longer than five years with final maturity not to exceed ten years.
- Other investments that are permitted by bond indenture agreements

Notes to Basic Financial Statements

A five-year maximum maturity for each investment is allowed unless an extension of maturity is granted by the City Council.

In accordance with Section 53651 of the California Government Code, the City cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent, at June 30, 2010.

	Government-Wide Statement of Net Assets Governmental Activities	Fiduciary Funds Statement of Net Assets	Totals
Investments	\$ 257,367,546	\$ 14,403,877	\$ 271,771,423
Restricted investments held by city	7,172,537	-	7,172,537
Subtotal	264,540,083	14,403,877	278,943,960
Checking account balance and petty cash	(70,944)	-	(70,944)
Total held by the city	264,469,139	14,403,877	278,873,016
Restricted cash and investments held by fiscal agent	7,455,011	8,357,971	15,812,982
Totals	\$ 271,924,150	\$ 22,761,848	\$ 294,685,998

B. Deposits

At June 30, 2010, the carrying amount of the City's time and demand deposits was \$3,958,198. The difference between the bank balance of \$5,015,861 and the carrying amount resulted from outstanding checks and deposits in transit. Of the time deposits and demand deposits, \$1,550,000 was covered by federal depository insurance and \$3,465,861 was collateralized with securities held by the counter party or its agent in accordance with Section 53652 of the California Government Code. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a value of 150% of City's total deposits.

C. Risk Disclosures

In the government-wide funds, restricted cash and investments are related to general obligation bonds. Restricted cash and investments held by fiscal agent in the Fremont Public Financing Authority Debt Service Fund are restricted for the payment of principal and interest on certificates of participation and capital project expenditures. In the fiduciary funds, restricted cash and investments relate to special assessment bonds.

Interest Rate Risk. At June 30, 2010, the City held no investments that are "highly sensitive to interest rate fluctuations" as defined by GASB 40. As a means of limiting exposure to fair value

Notes to Basic Financial Statements

losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2010, the City's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	55%
One to two years	7%
Two to three years	10%
Three to four years	9%
Four to five years	19%

The weighted-average life of the portfolio was 574 days, without regard to call features of many of the bonds held in the portfolio.

As of June 30, 2010, the City had the following investments and maturities.

<u>Investment Type</u>	<u>INVESTMENT MATURITIES (in years)</u>					
	<u>Fair Value</u>	<u>1 Year or Less</u>	<u>1-2 Years</u>	<u>2-3 Years</u>	<u>3-4 Years</u>	<u>4-5 Years</u>
U.S. Agencies	\$ 71,189,819	\$ 5,524,725	\$ 4,155,000	\$ 18,033,462	\$ 12,253,448	\$ 31,223,184
U.S. Treasuries	13,171,172	84,374	-	-	3,050,000	10,036,798
Domestic Banker's Acceptance	4,487,788	4,487,788	-	-	-	-
Commercial Paper	13,434,216	13,434,216	-	-	-	-
Medium Term Notes	49,014,776	3,341,861	15,052,097	10,950,808	8,196,877	11,473,133
Money Market Accounts	23,544,863	23,544,863	-	-	-	-
Pooled Accounts	100,000,000	100,000,000	-	-	-	-
Time Deposits	4,053,373	4,053,373	-	-	-	-
Total	\$ 278,896,007	\$ 154,471,200	\$ 19,207,097	\$ 28,984,270	\$23,500,325	\$ 52,733,115

Credit Risk. It is the City's policy that commercial paper have a credit rating of A1 by Standard & Poor's or P-1 by Moody's Investors Service. Corporate bonds and medium-term notes must have a rating of A or better. Mutual funds and federal agency securities must have the highest rating issued by the nationally recognized statistical rating organizations. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. The City's investments in federally sponsored agencies are rated AAA by Standard & Poor's and Moody's Investors Service. Medium term notes and corporate bonds are rated from A to AAA by Standard & Poor's and Moody's Investors Service. Money market funds are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Time and demand deposits over \$250,000 are collateralized by the financial institution.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds, time deposits, and LAIF, are held by a third-party custodian, Bank of New York Mellon (BNYM). BNYM is a registered member of the Federal Reserve Bank. The securities held by BNYM are in street name, and a customer number assigned to the City identifies ownership.

Notes to Basic Financial Statements

D. Fair Value Adjustment

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires that the City's investments be carried at fair value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. The total amount of the fair value gain adjustment as of June 30, 2010 was \$3,307,648. At June 30, 2009, the total fair value gain adjustment was \$2,575,834. The change in value between the two periods amounted to an unrealized gain of \$731,814 for fiscal year 2009/10.

E. External Investment Pool

The City invests in the California Local Agency Investment Fund (LAIF), a State of California external investment pool that is not rated. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

LAIF is part of the Pooled Money Investment Account (PMIA). PMIA oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. PMIB members are the State Treasurer, State Director of Finance, and State Controller. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members are qualified by training and experience in the field of investment or finance, and the State Treasurer appoints two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city or local district or municipal corporation of this state. The City values its investments in LAIF at amortized cost, which approximates the fair value.

The City's investments with LAIF at June 30, 2010, include a portion of pool funds invested in structured notes and asset-backed securities. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities entitle the purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (e.g., CMOs), small business loans, or credit card receivables.

As of June 30, 2010, the City had \$100,000,000 invested in LAIF, which had invested 5.42% of the pool's funds in structured notes and medium-term asset-backed securities.

3. RECEIVABLES

As of June 30, 2010, the City had the following receivables:

A. *Housing Loans Receivable*

At June 30, 2010, the City was owed, in its Community Development Block Grant Fund, \$1,465,151, for various housing assistance loans made by the City. The terms of repayment are for 20 years at 5% interest per annum. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans.

The Redevelopment Agency has \$3 million in HELP Program (Housing Enabled by Local Partnerships) loans payable to the California Housing Finance Agency. The first loan of \$1.5 million has a 10-year term and bears simple interest at 3% per annum. Payments are deferred for the term of the loan. The \$1.5 million principal and accrued interest are due September 1, 2010. The second \$1.5 million was received in November 2008. The loan has a 10-year term and bears simple interest at 3% per annum. The Redevelopment Agency has issued the total of \$3 million to Allied Housing for the Main Street Village project. The Redevelopment Agency uses the HELP funds as a revolving loan fund, primarily for issuing short-term construction loans to affordable housing developers. The developer has 3 years to repay the loan at 3% simple interest per annum.

The City has issued various other housing loans that are expected to be forgiven in future years. As a result, the City has recorded an allowance in anticipation of the amount to be forgiven for loans receivable

in the same amount as the outstanding principal on those loans, resulting in a zero balance in the basic financial statements. Interest on the loans is recorded as interest receivable with an offsetting amount of deferred revenue because the City's revenue recognition criteria have not been met. The cumulative amount of these loans as of June 30, 2010 is \$73,685,981 and the accumulated interest receivable is \$11,278,053.

B. *Housing Assistance Loan*

In October 2005, the City made a housing assistance loan to a public safety department head to facilitate the acquisition of a residence in Fremont. The outstanding loan balance at June 30, 2010 was \$580,699. Additional details of this loan agreement are described in Note 13.

C. *Interest Receivable*

Interest receivable at June 30, 2010 consists of the following:

Interest receivable on investments held by City	\$ 1,398,529
Interest on housing loans, home loans and rehabilitation loans receivable	11,278,053
Total interest receivable	<u>\$ 12,676,582</u>

Notes to Basic Financial Statements

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, consists of the following:

	Balance June 30, 2009	Increase	Decrease	Transfers	Balance June 30, 2010
Nondepreciable Assets:					
Land	\$ 207,435,292	\$ 5,552,974	\$ -	\$ -	\$ 212,988,266
Land improvements	5,260,249	-	-	-	5,260,249
Infrastructure	441,475,078	11,516,202	-	-	452,991,280
Construction in progress	16,431,388	7,637,431	-	(6,241,850)	17,826,969
Total nondepreciable assets	670,602,007	24,706,607	-	(6,241,850)	689,066,764
Depreciable Assets:					
Building and improvements	173,831,479	14,930,710	-	6,241,850	195,004,039
Equipment	20,303,439	290,707	(20,961)	-	20,573,185
Vehicles	28,006,654	1,361,249	(936,453)	-	28,431,450
Infrastructure	322,062,724	526,162	-	-	322,588,886
Total depreciable assets	544,204,296	17,108,828	(957,414)	6,241,850	566,597,560
Less Accumulated Depreciation For:					
Building and improvements	(40,995,549)	(3,728,706)	-	-	(44,724,255)
Equipment	(14,402,398)	(882,303)	20,961	-	(15,263,740)
Vehicles	(15,583,952)	(1,750,335)	826,325	-	(16,507,962)
Depreciable infrastructure	(310,187,211)	(700,921)	-	-	(310,888,132)
Total accumulated depreciation	(381,169,110)	(7,062,265)	847,286	-	(387,384,089)
Total depreciable assets, net	163,035,186	10,046,563	(110,128)	6,241,850	179,213,471
Total capital assets, net	\$ 833,637,193	\$ 34,753,170	\$ (110,128)	\$ -	\$ 868,280,235

Depreciation expense was charged to functions and programs of the primary government, as follows:

Governmental Activities:	
General government	\$ 477,710
Police services	831,060
Fire services	1,734,914
Human services	24,367
Capital assets maintenance and operations	3,694,398
Recreation services	213,692
Community development and environmental services	86,124
Total depreciation expense, governmental activities	\$ 7,062,265

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting for its pavement

Notes to Basic Financial Statements

system. As a result, no accumulated depreciation expense has been recorded for this system. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets, including other infrastructure systems, are reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

5. LONG-TERM DEBT

A summary of changes in governmental activities long-term debt and compensated absences for the year ended June 30, 2010, is as follows:

	Interest	Amounts Outstanding	Incurred or issued (adjustment)	Satisfied or Matured	Amounts Outstanding June 30, 2010	Amounts Due Within One Year	Amounts Due in More than One Year
	Rates	June 30, 2009					
Redevelopment Agency Tax Allocation Bonds:							
Series 2004	3.00-4.00%	\$26,070,000	\$ -	(\$26,070,000)	\$ -	\$ -	\$ -
Total tax allocation bonds		26,070,000	-	(26,070,000)	-	-	-
General Obligation Bond							
Fire Safety Bond 2003	1.00-4.40%	9,000,000	-	(230,000)	8,770,000	240,000	8,530,000
Fire Safety Bond 2005	3.50-5.00%	25,000,000	-	(510,000)	24,490,000	540,000	23,950,000
Fire Safety Bond 2009	2.00-6.00%	16,000,000	-	-	16,000,000	-	16,000,000
Total general obligation bonds		50,000,000	-	(740,000)	49,260,000	780,000	48,480,000
Certificates of Participation							
1998 Public Financing Authority	Variable	10,270,000	-	(305,000)	9,965,000	320,000	9,645,000
1998 Public Financing Authority	3.80-4.75%	15,340,000	-	(620,000)	14,720,000	670,000	14,050,000
2001 Public Financing Authority	Variable	30,540,000	-	(835,000)	29,705,000	875,000	28,830,000
2001B Public Financing Authority	Variable	8,000,000	-	(400,000)	7,600,000	420,000	7,180,000
2008 Public Financing Authority	1.80-5.30%	27,675,000	-	(400,000)	27,275,000	490,000	26,785,000
2008 Public Financing Authority	Variable	48,685,000	-	(845,000)	47,840,000	880,000	46,960,000
Total certificates of participation		140,510,000	-	(3,405,000)	137,105,000	3,655,000	133,450,000
Total long-term debt		216,580,000	-	(30,215,000)	186,365,000	4,435,000	181,930,000
Unamortized long-term bond premium		(230,373)	(508,587)	26,969	(711,991)	-	(711,991)
Total long-term debt with unamortized bond premium		216,349,627	(508,587)	(30,188,031)	185,653,009	4,435,000	181,218,009
Low and Moderate Income Housing Fund HELP loan		3,000,000	-	-	3,000,000	1,500,000	1,500,000
Compensated absences		8,500,567	6,386,801	(6,094,295)	8,793,073	2,198,268	6,594,805
Total long-term debt with unamortized bond premium and compensated absences		\$227,850,194	\$5,878,241	(\$36,282,326)	197,446,082	\$8,133,268	\$189,312,814

Notes to Basic Financial Statements

Amounts of long-term debt payable in the government-wide financial statements are generally payable from amounts available in related debt service funds and from annual property tax and certain other revenues collected for the purpose of retiring the respective debt obligations.

The annual principal and interest requirements of long-term debt are as follows:

Year Ending June 30	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2011	\$ 1,055,000	\$ 2,232,228	\$ 3,625,000	\$ 4,584,349
2012	1,110,000	2,184,003	3,780,000	5,018,314
2013	1,165,000	2,137,767	3,960,000	4,870,238
2014	1,225,000	2,094,792	4,135,000	4,717,332
2015	1,290,000	2,054,694	4,310,000	4,556,688
2016-2020	7,265,000	9,497,290	23,850,000	20,148,189
2021-2025	8,840,000	7,777,926	28,500,000	15,156,912
2026-2030	10,995,000	5,428,731	28,620,000	8,778,230
2031-2035	12,585,000	2,477,750	19,605,000	5,191,990
2036-2040	3,730,000	394,600	16,720,000	1,585,518
Total	\$ 49,260,000	\$ 36,279,781	\$ 137,105,000	\$ 74,607,760

A. Defeased Debt

On June 30, 2004, the Redevelopment Agency issued \$41,425,000 of Redevelopment Agency (Merged Redevelopment Project) Tax Allocation Bonds, Series 2004 under an Indenture of Trust dated June 1, 2004 by and between the Redevelopment Agency and Union Bank of California, N.A., as trustee. Interest rates on the 2004 Bonds ranged from 3% to 4%. The 2004 Bonds were special obligations of the Redevelopment Agency payable from and secured by tax revenues. The proceeds of the 2004 Bonds were used by the Redevelopment Agency to refund previously issued 2000 bonds, finance and refinance redevelopment activities, and finance costs of issuance of the 2004 Bonds. Annual principal and interest payments on the bonds were expected to require less than 20% of total property tax increment revenue. In the fourth quarter of fiscal year 2009/10, the Redevelopment Agency redeemed the entire remaining outstanding balance of \$22,085,000 to allow the Redevelopment Agency to pay off bonds bearing interest rate coupons of 3.375%, 3.625%, and 4.00%.

B. Special Assessment Debt (No City Commitment)

Special assessment bonds have been issued under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City is not liable for repayment and acts only as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from assessments, specific reserves, and the proceeds from property foreclosures. As of June 30, 2010, special assessment and special tax bonded indebtedness (long-term and current portions) was approximately \$11,900,000, which was not recognized in the accompanying basic financial statements.

C. Community Facilities District Special Tax Bonds (No City Commitment)

Special tax bonds were issued under the Mello-Roos Community Facilities Act of 1982. The proceeds of the 2001 bonds are to be utilized to finance the acquisition of specified public capital improvements for the development of the District, known as Pacific Commons. The District is a business park with commercial and industrial facilities. The property owners, with Catellus Development Corporation (now ProLogis) as the master developer and majority landowner, are obligated to pay the interest and principal on the 2001 bonds through an annual levy pursuant to the Rate and Method of Apportionment approved by the City Council and the qualified elector of the District. The 2001 bonds are not a general debt liability of the City and are solely payable from the annual facilities special tax levy and the reserve fund. As of June 30, 2010, the 2001 bond indebtedness was \$29,260,000.

On June 26, 2005, the City Council approved the issuance of \$38,000,000 of Community Facilities District 1, Special Tax, Series B (Pacific Commons) bonds. These bonds were issued on July 21, 2005. The net proceeds of the Series B bonds will be used to reimburse the developer for the costs of specified public improvements that have been or are to be built or otherwise conveyed to public agencies in conjunction with the development of Pacific Commons. As of June 30, 2010, the 2005 bond indebtedness was \$38,000,000.

D. Housing Enabled by Local Partnerships Loan

The Redevelopment Agency has \$3 million in HELP Program (Housing Enabled by Local Partnerships) loans payable to the California Housing Finance Agency. The first loan of \$1.5 million has a 10-year term and bears simple interest at 3% per annum. Payments are deferred for the term of the loan. The \$1.5 million principal and accrued interest are due September 1, 2010. The second \$1.5 million was received in November 2008. The loan has a 10-year term and bears simple interest at 3% per annum. The Redevelopment Agency has issued the total of \$3 million to Allied Housing for the Main Street Village project. The Redevelopment Agency uses the HELP funds as a revolving loan fund, primarily for issuing short-term construction loans to affordable housing developers. The developer has 3 years to repay the loan at 3% simple interest per annum.

E. Compensated Absences

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. The total of vacation and other compensated leaves is \$8,793,073. The City typically uses the General Fund to liquidate compensated absences.

6. POLLUTION REMEDIATION OBLIGATION

On July 18, 2002, the Redevelopment Agency entered into a service agreement for the performance of environmental, geophysical, engineering and geotechnical consulting services associated with the due diligence and remediation of potentially contaminated properties located within the City's redevelopment project areas. The majority of this work has been on the former Union Pacific Railroad property in Niles, which has been controlled by the Redevelopment Agency since January 2000, and owned since 2005, and is required to secure approval from the California Department of Toxic Substances Control – the State agency overseeing the environmental cleanup of the Union Pacific Railroad property. The estimated cost for the cleanup of the Niles Town Plaza portion (Phase II) of the Union Pacific Railroad property is \$2,000,000. This estimate is preliminary in nature and could increase or decrease as more information becomes available. It is not clear whether the Agency will recover any of these costs.

The City currently leases property from the Alameda County Water District (ACWD) for the police firing range. ACWD plans to use the land for other purposes when the City lease expires. This project will remove the lead from the ACWD property at the termination of the lease. The lead cleanup is a residual item which still must be addressed to fulfill the City's lease obligations and is estimated to be \$425,000. It is not clear at this point whether there will be any recoveries.

7. RISK MANAGEMENT

The City is exposed to various exposures related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Risk Management Internal Service Fund to account for and finance its uninsured risks of loss. Under the City's risk management program, the City retains risk for up to \$500,000 for each workers' compensation claim, \$500,000 for each general liability claim, and \$25,000 for each property claim. The liability for general liability claims and workers' compensation claims in excess of \$500,000 is discussed below.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk in the Risk Management Internal Service Fund. Charges to the General Fund and other funds are based on a percentage of payroll costs for general liability and a three year moving average cost of claims for workers' compensation. They are recorded in the funds as expenditures or expenses and revenues of the Risk Management Internal Service Fund.

The City retained an independent actuary in 2010 to perform an analysis of the City's potential liability for its retained risk portions of the general liability and workers' compensation programs. The amount recorded as a liability consists of the specific reserves (self-insured retention) for individual known claims or lawsuits and estimates for incurred but not reported claims. The present value of estimated outstanding losses is calculated using a 4.5% discount rate to reflect future investment earnings. There were no reductions in insurance coverage from the prior year and there were no insurance settlements that exceeded coverage in each of the past years.

Notes to Basic Financial Statements

Changes in the balances of claim liabilities (shown as claims payable in the accompanying basic financial statements) during the past three fiscal years ended June 30, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Balance, beginning of year	\$ 11,998,000	\$ 10,358,000	\$ 9,371,000
Provision for claims losses	5,492,170	5,496,760	4,595,240
Claims payments	(3,902,170)	(3,856,760)	(3,608,240)
Balance, end of year	<u>\$ 13,588,000</u>	<u>\$ 11,998,000</u>	<u>\$ 10,358,000</u>
Due in one year	\$ 5,007,000	\$ 4,442,000	\$ 3,920,000
Due in more than one year	8,581,000	7,556,000	6,438,000
Total claim liabilities	<u>\$ 13,588,000</u>	<u>\$ 11,998,000</u>	<u>\$ 10,358,000</u>

A. Participation in Public Entity Risk Pools

In February 1986, the City joined with other municipalities and regional municipal joint powers authorities to form the California Joint Powers Risk Management Authority (CJPRMA), a public entity risk pool currently operating as a general liability risk management and insurance program for 22 member entities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies. General liability claims in excess of \$500,000 and up to \$40,000,000 per occurrence are covered by the CJPRMA. Five years after settlement of all claims for a program year, CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves.

Summary financial information for CJPRMA for the year ended June 30, 2009 (latest available date), is as follows:

Cash and investments	\$ 90,953,306
Premiums and fees receivable	974,203
Other assets	2,234,775
Total assets	<u>\$ 94,162,284</u>
Total reserves, unearned premiums and other liabilities	\$ 46,882,379
Net assets	47,279,905
Total liabilities and net assets	<u>\$ 94,162,284</u>
Net premiums earned	\$ 12,878,498
Loss provision and premiums paid	(8,207,032)
General and administrative expenses	(1,479,116)
Operating income	3,192,350
Net investment and other income	8,306,920
Net income	11,499,270
Refunds to members	(4,916,204)
Change in net assets	<u>\$ 6,583,066</u>

Notes to Basic Financial Statements

The CJPRMA refunds excess contributions to members from time to time, based on the results of actuarial studies of each program year's claims experience. These refunds include cumulative earnings on program year contributions but may be reduced by amounts required to fund prior or subsequent year unfavorable claims experience.

The CJPRMA governing board consists of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Complete financial statements for the CJPRMA can be obtained from CJPRMA, 2333 San Ramon Valley Blvd., Suite 250, San Ramon, California 94583.

In July 1992, the City joined with other municipalities and special districts to form the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), a public entity risk pool. In June 2006, the City withdrew from LAWCX and joined CSAC Excess Insurance Authority (CSAC). CSAC membership consists of 54 California counties and 230 organizations (cities, schools districts, special districts and other JPAs). Workers' compensation claims in excess of \$500,000 are covered by CSAC through reinsurance up to the limit of \$250,000,000.

Summary financial information for CSAC for the year ended June 30, 2009 (latest available date), is as follows:

Total cash and cash equivalents	\$ 44,268,749
Total other current assets	280,360,251
Total noncurrent assets	264,853,912
Total assets	<u>\$ 589,482,912</u>
Total current liabilities	\$ 117,108,618
Total noncurrent liabilities	326,580,921
Net assets	<u>145,793,373</u>
Total liabilities and net assets	<u>\$ 589,482,912</u>
Total operating revenues	\$ 385,777,550
Total operating expenses	(395,186,125)
Total nonoperating revenue	<u>17,491,130</u>
Net income	<u>\$ 8,082,555</u>

Complete financial statements for CSAC can be obtained from CSAC Excess Insurance Authority, 3017 Gold Canal Drive, Rancho Cordova, California 95670.

8. INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund receivables and payables represent short term loans owed by Non-major Governmental Funds to the General Fund for purposes of covering short term negative cash positions. These interfund transactions are routine year end adjustments. Interfund receivables and payables at June 30, 2010, were as follows:

Due from	Due to	
	Non-Major Governmental Funds	
General Fund	\$	3,874,118
Total	\$	3,874,118

B. Interfund Transfers

The General Fund transfers resources to other funds to support activities that cannot be supported through fees, grants, or charges for service. These activities include capital projects, debt service, and certain cost center operations. There are also a variety of additional transfers between the General Fund and other funds to cover such items as overhead and vehicle replacement charges.

Interfund transfers for the year ended June 30, 2010, were as follows:

	Transfers In								
	General	RDA	RDA Debt	RDA Capital	Development	Recreation	Non-Major	Internal	
	Fund	Operations	Service	Projects	Cost Center	Services	Funds	Service Funds	Total
General Fund	\$ -	\$ 7,738	\$ -	\$ -	\$ 2,433,844	\$ 2,456,373	\$ 7,603,052	\$ 77,607	\$12,578,614
Redevelopment Operations	164,441	-	-	-	-	-	1,419	-	165,860
Low and Mod. Income Housing	88,218	-	-	-	-	-	-	-	88,218
Redevelopment Debt Service	-	15,000,000	-	5,000,000	-	-	-	-	20,000,000
Redevelopment Capital Projects	-	-	10,500,000	-	-	-	-	-	10,500,000
Development, Impact Fees	950,000	-	-	-	-	-	-	-	950,000
Development Cost Center	1,852,337	-	-	-	-	-	322,827	-	2,175,164
Recreation Services	774,694	-	-	-	-	-	39,589	-	814,283
Non-Major Funds	3,547,233	-	-	-	-	-	367,896	-	3,915,129
Internal Service Funds	574,423	-	-	-	-	-	209,655	-	784,078
Total	\$ 7,951,346	\$ 15,007,738	\$ 10,500,000	\$ 5,000,000	\$ 2,433,844	\$ 2,456,373	\$ 8,544,438	\$ 77,607	\$51,971,346

Notes to Basic Financial Statements

9. FUND BALANCE RESERVATIONS AND DESIGNATIONS

Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund balance be segregated or identify the portion of the fund balance not available for future expenditures. Designated fund balances represent tentative plans for future use of financial resources. Fund balance reservations and designations used by the City are as follows:

Fund Balances:	General Fund	RDA Operations	Low & Mod. Income	RDA Debt Service	RDA Capital Projects	Development Impact Fees	Development Cost Center	Recreation	Non-major Funds	Total
Reserved for:										
Encumbrances	\$ 684,851	\$227,414	\$25,663	\$ -	\$5,560,726	\$593,783	\$98,200	\$ -	\$10,680,761	\$17,871,398
Debt Service	-	-	-	-	-	-	-	-	7,099,539	7,099,539
Unreserved, designated, reported in:										
Budget Uncertainty	8,489,875	-	-	-	-	-	-	-	-	8,489,875
Program Investment	3,660,235	-	-	-	-	-	-	-	-	3,660,235
Contingencies	14,641,940	-	-	-	-	-	-	-	-	14,641,940
Fair Value Adjustments	1,331,450	(92,768)	105,993	373,149	507,188	533,494	32,355	(3,606)	401,238	3,188,493
Vehicle Replacement	-	-	-	-	-	-	-	-	3,128,693	3,128,693
Capital Projects	-	-	-	-	46,891,716	56,952,770	-	-	32,312,488	136,156,974
Specific Purposes	92,311	-	19,706,943	-	-	-	3,563,709	3,990,448	28,454,516	55,807,927
Unreserved, undesignated	-	(25,178)	-	-	-	-	-	-	(1,992,439)	(2,017,617)
Total Fund Balances	\$28,900,662	\$109,468	\$19,838,599	\$373,149	\$52,959,630	\$58,080,047	\$3,694,264	\$3,986,842	\$80,084,796	\$248,027,457

10. RETIREMENT BENEFITS

A. California Public Employees' Retirement System

Plan Description – The City's defined benefit pension plans, City of Fremont Miscellaneous Plan and City of Fremont Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries through the California Public Employees' Retirement System (CalPERS). All regular City employees classified as full-time, as well as part-time regular employees and temporary City workers who work 1,000 or more hours per year, are required to participate in CalPERS. Benefits vest after five years of service.

City employees who retire at or after age 55 (50 for safety employees) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% for miscellaneous employees and 3% for safety employees of their highest annual salary for each year of service. The service retirement benefit for public safety is capped at 90% of final compensation. There is no cap on retirement benefits for miscellaneous employees. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

The City of Fremont Miscellaneous Plan and City of Fremont Safety Plan are part of the Public Agency portion of CalPERS, an agent multiple-employer defined benefit pension plan. CalPERS

Notes to Basic Financial Statements

acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

Funding Policy – Active plan members in the City of Fremont Miscellaneous Plan are required to contribute 8% of their annual covered salary. Active plan members in the City of Fremont Safety Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009/10 was 18.6% of covered payroll for miscellaneous employees and 29.7% of covered payroll for safety employees. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS.

Annual Pension Cost – For fiscal year 2009/10, the City's annual pension cost was \$18,916,688, which was equal to the City's required and actual contributions. The required contribution rate for fiscal year 2009/10 was determined as part of the June 30, 2007 actuarial valuation, which used the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (1) 7.75% investment rate of return (net of administrative expenses); (2) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members, and from 3.25% to 13.15% for safety members; (3) an inflation component of 3.0%, and (4) 3.25% annual cost-of-living adjustment for miscellaneous members and safety members. The actuarial values of the Miscellaneous and Safety Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen-year period. CalPERS' unfunded actuarial accrued liability (or surplus) is amortized as a level percentage of projected payrolls on a closed basis.

The amortization period at June 30, 2009, was 30 years for both miscellaneous and safety members for prior and current service unfunded liabilities.

Following is three-year trend information for both plans:

Three-Year Trend Information for City of Fremont Miscellaneous Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 8,434,409	100%	\$ -
6/30/09	8,950,988	100%	\$ -
6/30/10	7,960,445	100%	\$ -

Three-Year Trend Information for City of Fremont Safety Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 10,277,216	100%	\$ -
6/30/09	10,830,434	100%	\$ -
6/30/10	10,956,243	100%	\$ -

Notes to Basic Financial Statements

B. Funding Status as of the Most Recent Actuarial Valuation Date

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
FUNDING STATUS for *Miscellaneous Employees*
As of June 30, 2009 Actuarial Valuation Date

Actuarial accrued liability (AAL)	\$329,923,638
Actuarial value of assets	\$247,240,523
Unfunded actuarial accrued liability (UAAL)	\$82,683,115
Funded ratio	74.9%
Covered payroll	\$46,226,193
UAAL as a percentage of covered payroll	178.87%

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
FUNDING STATUS for *Safety Employees*
As of June 30, 2009 Actuarial Valuation Date

Actuarial accrued liability (AAL)	\$437,389,177
Actuarial value of assets	\$337,341,484
Unfunded actuarial accrued liability (UAAL)	\$100,047,693
Funded ratio	77.1%
Covered payroll	\$36,844,556
UAAL as a percentage of covered payroll	271.54%

11. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description – In addition to providing the retirement benefits described above, the City provides post-retirement healthcare benefits, in accordance with bargaining unit agreements, to qualified retired employees under a single-employer plan. Retirees must make an election within 90 days following the date of separation from City employment to be eligible for the benefits. The number of employees currently eligible to receive the benefit has increased from 582 in the previous year to 624 in the current year. The City reimburses all or part of premium payments for medical insurance. The reimbursement amount is subject to a negotiation process and varies by bargaining unit and retirement date. The benefit is paid monthly to the retiree subject to proof of coverage and attestation of premium payment. The benefit generally ceases upon death of the retiree. The total annual required contribution for June 30, 2010, was \$5,505,000.

Funding Policy – The City accounts for its OPEB obligations on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Notes to Basic Financial Statements

Annual required contribution	\$5,605,000
Interest on net OPEB obligation	161,000
Amortization of net OPEB	(261,000)
Annual OPEB cost	5,505,000
Contributions made	1,935,000
Increase in net OPEB obligation	3,570,000
NET OPEB obligation – beginning of year	3,387,000
NET OPEB obligation end of year	6,957,000

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009/10 and the preceding year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$5,505,000	\$1,935,000	35.1%	\$6,957,000
2009	\$3,387,000	\$1,773,000	52.3%	\$3,387,000

Funding Status and Funding Progress – As of June 30, 2008, the most recent actuarial valuation date, the funding status of the plan, was as follows:

Actuarial accrued liability (AAL)	\$55,754,000
Actuarial value of assets	-
Unfunded actuarial accrued liability (UAAL)	\$55,754,000
Funded ratio	0%
Covered payroll	\$77,147,000
UAAL as a percentage of covered payroll	72.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities, and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Notes to Basic Financial Statements

In the June 30, 2008, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.75% investment rate of return, compared to the City's own year to date investment yield of 2.12%. A 3.0% general rate of inflation was used as well as 3.25% aggregate payroll increases. Healthcare cost trend rates were 9.1% and 9.8% for non-medicare HMO and PPO, respectively. The amortization period used to calculate the ARC is closed 30 years. There is no assumed post retirement benefit increase.

12. COMMITMENTS AND CONTINGENCIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Over the last several years, the City has entered into various cooperation and financing agreements with other public agencies regarding the design and construction of the Mission Interchange. The most recent of these agreements is the Amended and Restated Cost Share Agreement between the Alameda County Transportation Authority, Santa Clara Valley Transportation Authority, and the City of Fremont for the acquisition of right of way, and the relocation of utilities for the Mission Boulevard/Warren Avenue/Freight Railroad Relocation program.

The Agency has entered into agreements with various taxing entities whereby the Agency passes through a portion of its incremental tax received from the County for these taxing entities. These payments are shown as intergovernmental expenditures in the accompanying basic financial statements. As of June 30, 2010, the total pass-through obligation of \$12,841,918 had not yet been paid. This amount is included in due to other governmental agencies in the accompanying basic financial statements.

A. Housing Loan Commitments

The Agency has entered into loan commitments for the following affordable housing projects, which are funded through the Low and Moderate Income Housing Fund:

Affirmed Housing – Maple Square Apartments – To date, the Agency and the City have committed a total of \$13,002,961 to Maple Square Apartments, developed by Affirmed Housing Group/Fremont Family Housing Partners, L.P., in the Centerville Redevelopment Project Area. This loan commitment consists of \$12,706,961 of Agency affordable housing funds and \$296,000 of State Workforce Housing Reward Grant funds awarded to the City. The 132-unit affordable rental housing development for families opened in February 2007. As of June 30, 2010, \$12,602,961 had been disbursed, consisting of \$12,306,961 of Agency funds and \$296,000 of State grant funds. These loan funds were used for predevelopment, land acquisition, and development costs. In FY 2010/11, the developer is expected to request

the remaining \$400,000 Agency loan commitment balance, when the developer converts the construction loan to a permanent loan.

Eden Housing – Peralta Boulevard Senior Apartments – As of June 30, 2010, the Agency and the City have committed \$12,720,621 to Peralta Boulevard Senior Apartments. This combined predevelopment, acquisition, and development loan consists of \$10,832,464 of Agency affordable housing funds, \$1,400,000 of City federal HOME funds, and \$488,157 of City CDBG funds. Eden Housing, the developer, is planning to build a 98-unit senior housing rental development on a 2.98-acre site located in the Centerville Project Area. Eden acquired the site and the City Council approved the project during the fiscal year. Construction is scheduled to start the fall of 2010. As of June 30, 2010, \$10,386,567 has been disbursed, consisting of \$8,498,410 of Agency affordable housing funds, \$1,400,000 of HOME funds, and \$488,157 of CDBG funds.

Allied Housing – Main Street Village – Allied Housing plans to build a 64-unit supportive housing rental development located on a 1.6-acre site located in the Irvington Project Area. As of June 30, 2010, the Agency and the City have committed \$6,644,533 to Allied Housing's Main Street Village. These development loan funds consist of \$2,384,542 of Agency affordable housing funds, \$3,000,000 of State HELP funds, \$1,059,991 of City federal HOME funds, and a \$200,000 City federal CDBG grant to fund a tenant services center and community center. In June 2010, Allied Housing started construction on the 64-unit supportive housing rental development. As of June 30, 2010, \$4,101,048 has been disbursed.

With respect to the entire loan commitments described above, the Agency is repaid based on the type of loan and whether the affordable housing units are for-sale or rental. If it is an apartment project, borrowers agree to pay the Agency an amount equal to excess cash, which is defined as the operating revenue in excess of the amount required for operation of the development, including current debt service, other mortgage loans, property management fees, taxes, insurance, and other operating costs. In the event that excess cash is not generated, all loan principal and interest payments are deferred. If it is a short-term construction loan, borrowers agree to pay the Agency when permanent financing is in place. Loans issued for homeownership are generally repaid with interest at the time of sale or within a specified period or are issued as equity sharing loans. The Agency has not recorded receivables related to these agreements because the amount of the receivables is not currently available.

The Agency is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Agency's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Agency.

13. RELATED PARTY TRANSACTIONS

In October 2005, the City made a housing assistance loan to the Fire Chief to acquire real property in compliance with the executive housing assistance loan agreement in an amount not to exceed \$600,000, repayable in 30 years. The interest rate on the loan is variable and adjusts annually on the anniversary of the loan to reflect the average yield received by the City on its investment portfolio during the most recent four quarters. As of June 30, 2010, the outstanding balance of this loan receivable was \$580,699.

14. SUBSEQUENT EVENTS

A. Proposition 1A Borrowing by the State of California [for local governments that participated in the securitization program]

Under the provisions of Proposition 1A, and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Fremont was \$5,630,991.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

B. 2008 Variable Rate Demand COP Letter of Credit Replacement

On September 14, 2010, the City Council consented to the replacement of the 2008 Variable Rate Demand COP letter of credit with Allied Irish Bank (AIB) with one from U.S. Bank, a bank with a stronger rating. Reflecting sovereign debt concerns in Greece and portions of Europe, including Ireland, Standard & Poor's recently downgraded AIB's short term rating to "A-2" from the previous "A-1", a short-term rating level right at the acceptable lower limit of many money market funds. As a result, the weekly interest rate on these COPs increased to 3.5%, plus or minus. Variable rate issues with strong letters of credit, including the City's other variable rate COPs, continue to trade with a weekly interest rate of about 0.30%, plus or minus. To mitigate this 3% trading penalty, the letter of credit was replaced with one from U.S. Bank, a bank with a stronger rating that will make the COPs once again attractive investments for money market fund investors.

Required Supplementary Information

1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's financial resources, as well as establishing that highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that communicates these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning by providing resource allocation, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. The City Council adopts an annual budget by resolution prior to August 1 of each fiscal year. The annual budget indicates appropriations by fund or, in some instances, by program. The City Council may adopt supplemental appropriations during the year. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund.

The City Manager may also increase appropriations for operating expenditures for the Development Cost Center, Recreation Services Cost Center, and Human Services Department when quarterly fee or grant estimates in those funds exceed the amounts estimated at the time of budget adoption because of increased fee or grant activity. Any revisions or transfers that alter the total appropriations of other funds must be approved by the City Council.

- b. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that unrealized investment gains/losses are not recognized for budgetary purposes. Annual appropriated budgets are adopted for the General and certain special revenue funds (Redevelopment Operations, Development Cost Center and Recreation Services). Project-length budgets are adopted for all capital projects funds, and either project-length budgets or non-appropriated financial plans are adopted for certain other special revenue funds (all special revenue funds except those specifically mentioned in the preceding sentence).
- c. Supplemental budgetary changes were adopted by the City Council during the year; however, these supplemental budgetary changes were not material in relation to the budget as originally adopted.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Required Supplementary Information

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re-budgeted in the next fiscal year. Unexpended capital improvement appropriations are carried forward until the improvements or programs are complete.

Following are the budget comparison schedules for the General Fund and applicable major special revenue funds for which an annual operating budget was adopted.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 25,857,000	\$ 25,857,000	\$ 31,099,353	\$ 5,242,353
Resources (inflows):				
Property tax	62,221,000	62,221,000	61,940,809	(280,191)
Sales tax	32,394,000	32,394,000	26,769,511	(5,624,489)
Vehicle license fees	600,000	600,000	634,305	34,305
Intergovernmental	255,000	255,000	169,122	(85,878)
Business tax	7,000,000	7,000,000	7,106,402	106,402
Other taxes	4,133,000	4,133,000	3,842,969	(290,031)
Franchises	8,439,000	8,439,000	7,928,716	(510,284)
Charges for services	10,021,733	10,021,733	8,703,893	(1,317,840)
Investment earnings	1,600,000	1,600,000	1,748,364	148,364
Other	211,267	211,267	984,149	772,882
Operating transfers in	5,244,000	5,244,000	7,951,346	2,707,346
Total resources	132,119,000	132,119,000	127,779,586	(4,339,414)
Charges to appropriations (outflows):				
General government	12,264,964	11,616,104	11,126,970	489,134
Police services	52,618,242	52,821,361	52,300,564	520,797
Fire services	30,582,563	30,637,485	30,848,121	(210,636)
Human services	3,485,092	3,497,022	3,415,273	81,749
Capital assets maintenance and operations	19,073,655	19,106,020	17,528,049	1,577,971
Community development and environmental services	735,218	735,218	918,248	(183,030)
Capital outlay	-	78,422	78,422	-
Debt service:				-
Interest and fiscal charges	825,000	825,000	1,184,016	(359,016)
Operating transfers out	16,468,493	16,736,595	12,578,614	4,157,981
Total charges to appropriations	136,053,227	136,053,227	129,978,277	6,074,950
Resources over (under) charges to appropriations	(3,934,227)	(3,934,227)	(2,198,691)	1,735,536
Fund Balance - Ending	\$ 21,922,773	\$ 21,922,773	\$ 28,900,662	\$ 6,977,889

Required Supplementary Information

Budgetary Comparison Schedule, Redevelopment Operations

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 642,409	\$ 642,409	\$ 248,052	\$ (394,357)
Resources (inflows):				
Investment earnings	200,000	200,000	216,657	16,657
Other	-	-	120,551	120,551
Operating transfers in	15,000,000	15,007,738	15,007,738	-
Total resources	15,200,000	15,207,738	15,344,946	137,208
Charges to appropriations (outflows):				
Intergovernmental	10,300,000	13,461,180	13,461,180	-
Community development	1,495,952	1,856,490	1,856,490	-
Operating transfers out	167,843	167,843	165,860	1,983
Total charges to appropriations	11,963,795	15,485,513	15,483,530	1,983
Resources over (under) charges to appropriations	3,236,205	(277,775)	(138,584)	139,191
Fund Balance - Ending	\$ 3,878,614	\$ 364,634	\$ 109,468	\$ (255,166)

Budgetary Comparison Schedule, Development Cost Center

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 1,978,000	\$ 1,978,000	\$ 1,818,354	\$ (159,646)
Resources (inflows):				
Charges for services	9,362,836	9,364,656	9,533,384	168,728
Investment earnings	230,000	230,000	143,975	(86,025)
Operating transfers in	2,280,600	2,433,844	2,433,844	-
Total resources	11,873,436	12,028,500	12,111,203	82,703
Charges to appropriations (outflows):				
Community development and environmental services	10,729,821	10,883,062	8,060,129	2,822,933
Operating transfers out	2,195,435	2,195,435	2,175,164	20,271
Total charges to appropriations	12,925,256	13,078,497	10,235,293	2,843,204
Resources over (under) charges to appropriations	(1,051,820)	(1,049,997)	1,875,910	2,925,907
Fund Balance - Ending	\$ 926,180	\$ 928,003	\$ 3,694,264	\$ 2,766,261

Required Supplementary Information

Budgetary Comparison Schedule, Recreation Services

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 3,160,098	\$ 3,160,098	\$ 3,412,857	\$ 252,759
Resources (inflows):				
Charges for services	5,453,615	5,453,615	5,472,815	19,200
Investment earnings	100,000	100,000	115,671	15,671
Other	733,335	733,335	73,022	(660,313)
Operating transfers in	2,438,000	2,456,373	2,456,373	-
Total resources	8,724,950	8,743,323	8,117,881	(625,442)
Charges to appropriations (outflows):				
Recreation and leisure services	7,243,957	7,243,957	6,729,613	514,344
Operating transfers out	796,725	796,725	814,283	(17,558)
Total charges to appropriations	8,040,682	8,040,682	7,543,896	496,786
Resources over (under) charges to appropriations	684,268	702,641	573,985	(128,656)
Fund Balance - Ending	\$ 3,844,366	\$ 3,862,739	\$ 3,986,842	\$ 124,103

2. MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE

In accordance with GASB Statement No. 34, the City accounts for and reports infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; parks and recreation land and improvements; the storm water collection system; and site amenities associated with buildings such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system is further divided into subsystems. For example, the street system is divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the modified approach, as defined by GASB Statement No. 34, for the Roads and Streets networks. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City manages the eligible infrastructure capital assets using an asset management system with the following characteristics: (1) maintain an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amount needed to maintain and preserve the assets at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

Required Supplementary Information

City-owned streets are defined as all physical features associated with the operation of motorized vehicles that exist within the limits of the City rights of way. The City streets are constructed primarily of asphalt pavement. Further, the streets are classified based on land use, access and traffic utilization into the following three classifications: (1) Arterial/Major, (2) Collector and (3) Residential/Local.

In 2009, the City commissioned a study to update the physical condition assessment of all City arterial, collector and residential streets. The prior assessment study of the City arterial and collector streets was completed in 2006. Before that, the entire City road network, including residential streets, was inspected and rated in 2004.

The condition assessments will continue to be performed every two to three years for arterials and collectors and every five years for residential streets. The next inspection for the arterials and collectors is due August 31, 2011. Every street is inspected and the physical condition is recorded based on a system of 17 defined pavement distress conditions. For each street in the network, the Pavement Condition Index (PCI), a nationally recognized index, is calculated based on the inspection data. The PCI is expressed as a rating from 0 to 100, where 0 is the least acceptable condition and 100 is the rating for a street in excellent condition or a new street. The following conditions are defined with the corresponding PCI rating ranges:

Condition	PCI Rating
Excellent	86-100
Good	70-85
Fair	50-69
Poor	25-49
Very Poor	<25

Through June 30, 2010, the City's policy was to achieve an average PCI rating of 50 for all streets. The City Council established a revised range of acceptable condition standards to be "fair" as measured by the City's pavement management system condition assessment index of between 50 and 69 on November 3, 2009. This rating means more pavement distresses ranging from surface types such as cracking and raveling to the more serious load related distresses, such as alligator cracking and rutting will become noticeable to drivers traveling at the posted speeds. As of June 30, 2010, the City's overall street system was rated at a PCI index of 62 with the detail condition as follows:

Condition	PCI Rating	% of Streets Sections		
		June 30, 2010	June 30, 2009	June 30, 2008
Good to Excellent	70-100	41%	47%	59%
Fair	50-69	24%	28%	20%
Substandard to Poor	0-49	35%	25%	21%

The City's streets are constantly deteriorating due to the following four factors: (1) traffic using the streets, especially trucks and buses; (2) the sun's ultraviolet and infrared rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests'

Required Supplementary Information

trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities, such as pothole patching, street sweeping, and curb and gutter repair.

In total, the City expended \$11,651,400 on street maintenance for the fiscal year ended June 30, 2010. The annual expenditures delay deterioration; however, the overall rating of the City's streets was not improved through these maintenance expenditures. A table of the previously estimated annual amounts required to maintain and preserve City streets at the then current PCI level compared to the actual expenditures for street maintenance and actual PCI levels for the last five years is as follows.

Fiscal Year	Maintenance Estimate	Actual Expenditure	Overall City PCI Rating
2005/06	\$ 6,200,000	\$ 323,178	70
2006/07	10,800,000	5,199,654	68
2007/08	12,000,000	5,839,171	67
2008/09	12,000,000	5,916,134	64
2009/10	15,500,000	11,651,400	62

In 2009, the City estimated that \$15,500,000 would be required to be expended annually to maintain the City's streets at the 2008/09 average PCI rating of 64. This estimate is being used for 2009/10 and will be updated by August 31, 2011. As can be seen in the above table, the actual expenditure is less than the estimated required maintenance budget and the overall City PCI has dropped by 2 points.

As noted above, the current inspection of City residential streets was completed in June 2009. The previous inspection of City residential streets took place in 2004. Between then and now, the deterioration of residential streets has accelerated due to the further aging and failure of older maintenance treatments such as slurry seals, revealing the defects in structure of the underlying streets. Also, preventative maintenance of residential streets continues to be deferred on a year over year basis due to the higher priority given to arterials and collectors, which carry higher volumes of traffic at higher speeds and present a greater liability to the City. As residential streets comprise the majority of the streets in Fremont, being nearly 45% of the total street network, the overall PCI is adversely affected by this deferred maintenance. As of June 30, 2010, approximately 59% of the City's streets were rated below the average standard of 70, a 6% increase from 2008/09 when the percentage of streets rated below 70 was 53%. The reason for the increase is as stated above, being the increased deterioration of residential streets due to deferred maintenance.

The City has on-going street rehabilitation and maintenance programs funded in the Capital Improvement Program. Streets selected for inclusion in rehabilitation and maintenance projects are identified through the Pavement Management System (PMS). Because of the funding deficit, the PMS puts a priority on maintaining the streets that are in good condition. As street maintenance is deferred, more expensive treatments become necessary; therefore, it is more cost effective to maintain streets that are in good condition.

Due to higher traffic volumes and higher vehicle speeds, City arterial (highest traffic level) and collector (intermediate traffic level) streets receive priority over minor residential streets and

Required Supplementary Information

cul-de-sacs. The heavier traffic on arterials and collectors causes pavement damage at higher rates. Also, due to the higher speeds on the arterial and collector roadways, maintaining the pavements to assure safe operating conditions is essential. The City will continue to rehabilitate and maintain the arterial and collector and all City streets as funds permit.

3. SCHEDULE OF FUNDING PROGRESS

A schedule of funding progress for the year ended June 30, 2009, including the past three actuarial valuations, is presented below:

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2007	\$ 214,181,444	\$ 269,353,315	\$ 55,171,871	79.5%	\$ 43,330,638	127.33%
6/30/2008	233,819,225	289,675,184	55,855,959	80.7%	45,425,424	122.96%
6/30/2009	247,240,523	329,923,638	82,683,115	74.9%	46,226,193	178.87%

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

SCHEDULE OF FUNDING PROGRESS

Safety Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2007	\$ 303,498,048	\$ 368,678,266	\$ 65,180,218	82.3%	\$ 32,940,052	197.88%
6/30/2008	324,285,049	396,575,949	72,290,900	81.8%	35,741,075	202.26%
6/30/2009	337,341,484	437,389,177	100,047,693	77.1%	36,844,556	271.54%

OTHER POST EMPLOYMENT BENEFITS (OPEB)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2006	\$ -	\$ 44,893,000	\$ 44,893,000	0.0%	\$ 66,181,000	67.8%
6/30/2008	-	55,754,000	55,754,000	0.0%	77,147,000	72.3%

*Actuarial valuations for June 30, 2007 are not available

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Supplementary Information

Non-Major Governmental Funds

Description – Special Revenue Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for City revenues from sources that, by law or administrative action, are designated to finance particular functions or activities of government. The individual special revenue funds are as follows:

Community Development Block Grant – This fund accounts for grants from the U.S. Department of Housing and Urban Development for the primary purpose of developing viable urban communities.

HOME Grant – This fund accounts for monies received under the HOME Investment Partnership Act. HOME funds can be used to acquire, rehabilitate, finance, and construct affordable housing and provide tenant-based rental assistance.

HUD/HOPE Grant – This fund accounts for monies received through the Housing Authority of Alameda County from the Department of Housing and Urban Development (HUD) for special Housing Opportunities for the People Everywhere (HOPE) grant. Case management is provided to enable functionality impaired older persons to obtain services that promote and maintain their optimum levels of functioning.

HUD/SHP Grant – This fund accounts for funds from the Department of Housing and Urban Development to implement the Homeless Outreach for People Empowerment project.

Multi-family Housing – This fund accounts for fees received for monitoring the Residential Mortgage Loan Program.

Older Americans Grant – This fund accounts for federal grant monies received under the Older Americans Act. Case management is provided to enable functionality impaired older persons to obtain services.

Tri-City Elders – The Tri-City Elders Coalition works to identify and effectively meet the needs of seniors to enable them to remain independent in their own homes and communities. This is accomplished through advocacy, education, resource coordination and information sharing.

Senior Services – This fund accounts for revenues and expenditures for programs conducted by the Senior Citizens Center.

Multipurpose Senior Services Program (MSSP) – This fund accounts for monies received from the State Department of Aging (via Federal pass-thru) to provide services aimed at allowing frail elders to remain in their homes.

Area Agency on Aging MSSP – This fund accounts for monies received from the State Department of Aging (via County pass-thru) to provide services aimed at allowing frail elders to remain in their homes.

Alameda County Senior Mobile Mental Health – This fund accounts for the monies received from Alameda County Behavioral Health Care Services Department to support a multi-disciplinary team approach to mobile mental health services provided to homebound isolated seniors.

Family Resource Center – This fund accounts for monies received for leases at the Family Resource Center. This revenue is used for maintenance and operating costs of the center.

Description – Special Revenue Funds

Haas Grant – fund accounts for monies from the Evelyn and Walter Haas, Jr. Fund for the Family Resource Center. Funds are used for several FRC program areas.

Youth Service Center – This fund accounts for Youth Service Center grants received from the State Council for Criminal Justice.

Every Child Counts Grant – This fund accounts for monies allocated through Alameda County from State Proposition 10 (tobacco taxes) to support early childhood programs in Youth and Family Services.

Alameda Behavioral Health Care – This fund accounts for the monies used to support a multi-disciplinary team approach to family support at the Family Resource Center.

Measure B – Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related expenditures. This fund accounts for the portion of these monies used to partially fund the City’s paratransit program.

Human Services Miscellaneous – This fund accounts for donations that support Human Services Departments programs, as well as, small grants given to Human Services by private contributors.

Integrated Waste Management – This fund accounts for monies received by the City to comply with the provisions of AB939 for the purpose of addressing recycling, household hazardous waste and solid waste management issues. These revenues may only be spent for integrated waste management and waste reduction programs.

Urban Runoff – The Clean Water Fee special assessment funds the Urban Runoff Clean Water Program. This program is based on the Stormwater Management Plan of the Alameda Countywide Clean Water Program. The plan is required for and a part of the National Pollutant Discharge Elimination System permit. Included in the plan are tasks for municipalities to carry out, including public information, municipal maintenance activities, new development requirements, illicit discharge elimination, industrial discharge identification and control, monitoring and special studies.

Traffic Safety OTS – This fund accounts for monies received from the State. “Avoid the 21” is working on reducing alcohol involved fatalities and injuries, and raising general public awareness regarding the problems associated with drinking and driving.

Abandoned Vehicle – This fund accounts for monies received by the City under California Vehicle Code Sections 9250.7 and 22710 and is used for the abatement, removal, and disposal as public nuisances of any abandoned, wrecked, dismantled, or inoperative vehicles from private or public property.

Narcotics Asset Seizure – This fund accounts for assets confiscated by the City and by the Southern Alameda County Narcotics Enforcement Team (SACNET), which consists of police officers from the cities of Fremont, Newark, and Union City. These assets may only be used for future narcotics investigations.

COPS AB3229 – This fund accounts for State funds distributed by the County for front-line law enforcement services, including anti-gang and community crime prevention programs.

Description – Special Revenue Funds, Debt Service Funds

Justice Assistance Grant – This fund accounts for federal pass through money and allows states, tribes and local government to support a broad range of activities to prevent and control crime based on their local needs and conditions, such as initiatives technical assistance, training personnel, and equipment supplies.

Law Enforcement Grant – This fund accounts for federal monies to be spent for crime reduction, to improve public safety, and for other programs, such as substance abuse prevention and treatment programs.

Inclusionary Housing In Lieu – This fund accounts for payments received from developers. The Inclusionary Housing Program requires a minimum amount of affordable housing to be created in conjunction with market rate residential development.

Metropolitan Medical Response System (MMRS) – This fund accounts for federal grants to fund the purchase of anti-terrorism equipment, medications, and training and exercise for terrorism responses.

American Recovery and Reinvestment Act of 2009 (ARRA) – This fund accounts for federal stimulus funding that currently helps fund various projects and programs such as the street overlay project, pavement rehabilitation project, Homeless Prevention and Rapid Rehousing program, the renovations at the Family Resource Center, reconstruction of the parking lot, and various energy efficiency and conservation projects.

Miscellaneous Federal Grants – This fund accounts for federal monies received for various individual federal grants that require Single Audit.

Miscellaneous State Support – This fund accounts for one-time miscellaneous funds received from State agencies.

Traffic Congestion AB2928 – This fund accounts for monies provided by State legislation to be used for street improvements, and/or projects specified in the Assembly Bill. The bill also requires a Maintenance of Effort (MOE) from the General Fund over a 3-year period.

State Gas Tax – This fund accounts for monies apportioned to the City from State-collected gasoline taxes. The annual allocation may be spent for street maintenance or construction. Funds are apportioned by the State on the basis of population.

Proposition 1B Local Streets and Roads – This fund provides bond monies provided by State legislation to cities for maintenance and improvement of local transportation facilities.

County Support for City Streets – This fund receives and expends the money allocated from Alameda County as the City's share of the State gasoline taxes allocated for County roads.

Maintenance District – This fund accounts for lighting and landscape maintenance activities in new subdivisions within the City. These activities are funded by special assessments on property within the benefited area.

DEBT SERVICE FUNDS

Debt Service Funds are used to record the accumulation of resources for, and the payment of, principal, interest and fiscal charges on general long-term debt. The individual debt service funds are as follows:

Fire General Obligation Bonds – Voters of the City of Fremont approved Measure R in the November 2002 election, which authorizes the City to issue \$51 million in general obligation bonds to provide funding to replace three fire stations, build a public safety training center, and make remodeling and seismic improvements to seven existing fire stations. To date, \$51 million of these bonds have been issued: (1) Series A for \$10 million was issued on July 17, 2003, (2) Series B, for \$25 million was issued on April 14, 2005, (3) and \$15 million, was issued on January 28, 2009.

Financing Authority – This fund accounts for the payment of principle and interest on certificates of participation. The proceeds of the debt were used to finance construction of capital facilities.

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition or construction of major capital facilities and improvements. The specific capital project funds are listed below:

Transportation Development Act – This fund accounts for funds received under the Transportation Development Act (Article 3) to be used for street construction projects.

Miscellaneous State Grants Capital – This fund accounts for one-time miscellaneous funds received from State agencies.

Interchange Construction – This fund accounts for construction of Interstate 880 interchange at Fremont Boulevard, Mission Boulevard, Auto Mall Parkway and Dixon Landing Road.

Vehicle Replacement – This fund accounts for vehicle acquisitions.

Capital Improvement – By Council resolution, this fund can be used only to finance capital improvements for the City, including the acquisition, construction, and initial equipping of parks, recreation areas, public safety facilities, or other public works projects. Amounts in this fund are received as transfers from the General Fund, as interest earned on invested cash balances, as proceeds from the sale of certain parcels of land, or as proceeds of debt.

Capital Improvement Outside Sources – This fund accounts for contributions received from other outside sources that are intended to help fund specific capital projects.

Measure B – Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related expenditures. This fund accounts for that portion of these monies used to fund transportation-related capital projects.

Intermodal Surface Transportation Efficiency Act (ISTEA) – ISTEA was created in 1991 to provide federal funding for transportation projects. It replaces the Federal Aid Urban Program. Among ISTEA's many programs, three provide capital improvement funds for local governments. These programs are known as the Surface Transportation Program, the Congestion Mitigation and Air

Description – Capital Project Funds

Quality Improvement Program, and the Transportation Enhancement Activity Program. Funds are applied for on a project-by-project basis.

Traffic System Management – This fund receives monies from the Bay Area Quality Management District under AB434. The fund's expenditures relate to the implementation of the City's trip reduction ordinance – a State-mandated activity.

Fire General Obligation Bonds – This fund accounts for debt proceeds used for the construction, remodeling, or improvements of fire stations.

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City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010
(With comparative totals for June 30, 2009)

	Special Revenue Funds			
	Community Development Block Grant	HOME Grant	HUD/HOPE Grant	HUD/SHP Grant
ASSETS				
Cash and investments held by City	\$ -	\$ -	\$ 6,211	\$ -
Restricted cash and investments held by fiscal agent	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	951,252	63,338	-	269,790
Housing rehabilitation loans, net	1,465,151	-	-	-
Accrued interest	127,167	1,263,540	-	67,024
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	\$ 2,543,570	\$ 1,326,878	\$ 6,211	\$ 336,814
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 131,934	\$ 4,440	\$ -	\$ 100,532
Salaries and wages payable	10,696	-	-	-
Due to other funds	842,527	55,213	-	169,258
Other liabilities	-	-	-	-
Deferred revenue	1,558,413	1,263,540	-	67,024
Total liabilities	2,543,570	1,323,193	-	336,814
Fund Balances:				
Reserved for encumbrances	151,752	51,005	-	-
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	-	-	6,211	-
Capital projects	-	-	-	-
Undesignated	(151,752)	(47,320)	-	-
Total fund balances	-	3,685	6,211	-
Total liabilities and fund balances	\$ 2,543,570	\$ 1,326,878	\$ 6,211	\$ 336,814

Special Revenue Funds						
Multi-family Housing	Older Americans Grant	Tri-City Elders	Senior Services	Multipurpose Senior Services Program	Area Agency on Aging MSSP	Alameda County Senior Mobile Mental Health
\$ 43,955	\$ -	\$ 156,250	\$ 257,502	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	29,965	-	26,439	102,287	83,077	287,738
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 43,955	\$ 29,965	\$ 156,250	\$ 283,941	\$ 102,287	\$ 83,077	\$ 287,738
\$ 14,848	\$ -	\$ 8,799	\$ 11,996	\$ 3,515	\$ 5,566	\$ 23,094
3,236	-	-	15,516	-	-	-
-	29,965	-	-	98,772	73,947	263,937
-	-	-	-	-	-	-
134	-	-	71,870	-	-	-
18,218	29,965	8,799	99,382	102,287	79,513	287,031
-	-	3,000	1,034	-	-	1,175
-	-	-	-	-	-	-
25,737	-	144,451	183,525	-	3,564	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(468)
25,737	-	147,451	184,559	-	3,564	707
\$ 43,955	\$ 29,965	\$ 156,250	\$ 283,941	\$ 102,287	\$ 83,077	\$ 287,738

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010
(With comparative totals for June 30, 2009)

	Special Revenue Funds			
	Family Resource Center	Haas Grant	Youth Service Center	Every Child Counts Grant
ASSETS				
Cash and investments held by City	\$ 3,842,010	\$ 3,584	\$ -	\$ 366,013
Restricted cash and investments				
held by fiscal agent	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	133,256	-	119,262	304,977
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	\$ 3,975,266	\$ 3,584	\$ 119,262	\$ 670,990
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 17,412	\$ -	\$ 2,359	\$ -
Salaries and wages payable	33,606	-	-	-
Due to other funds	-	-	116,903	-
Other liabilities	-	-	-	-
Deferred revenue	-	-	-	43,224
Total liabilities	51,018	-	119,262	43,224
Fund Balances:				
Reserved for encumbrances	14,597	-	-	2,296
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	3,909,651	3,584	-	625,470
Capital projects	-	-	-	-
Undesignated	-	-	-	-
Total fund balances	3,924,248	3,584	-	627,766
Total liabilities and fund balances	\$ 3,975,266	\$ 3,584	\$ 119,262	\$ 670,990

Special Revenue Funds							
Alameda Behavioral Health Care	Measure B	Human Services Miscellaneous	Integrated Waste Management	Urban Runoff	Traffic Safety OTS	Abandoned Vehicle	
\$ -	\$ -	\$ 495,256	\$ 3,010,466	2,136,819	\$ -	\$ -	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
111,697	209,217	40,516	44,813	72,759	3,870	40,000	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	135,430	1,368,177	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>\$ 111,697</u>	<u>\$ 209,217</u>	<u>\$ 671,202</u>	<u>\$ 4,423,456</u>	<u>\$ 2,209,578</u>	<u>\$ 3,870</u>	<u>\$ 40,000</u>	
\$ -	\$ 47,668	\$ 18,396	\$ 250,246	\$ 19,137	\$ -	\$ -	
-	1,345	-	31,690	14,256	-	-	
111,697	35,147	-	-	-	3,870	40,000	
-	-	-	-	-	-	-	
-	-	-	112,826	-	-	-	
<u>111,697</u>	<u>84,160</u>	<u>18,396</u>	<u>394,762</u>	<u>33,393</u>	<u>3,870</u>	<u>40,000</u>	
-	11,683	2,000	124,761	76,826	-	-	
-	-	-	-	-	-	-	
-	113,374	650,806	3,903,933	2,099,359	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>-</u>	<u>125,057</u>	<u>652,806</u>	<u>4,028,694</u>	<u>2,176,185</u>	<u>-</u>	<u>-</u>	
<u>\$ 111,697</u>	<u>\$ 209,217</u>	<u>\$ 671,202</u>	<u>\$ 4,423,456</u>	<u>\$ 2,209,578</u>	<u>\$ 3,870</u>	<u>\$ 40,000</u>	

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010
(With comparative totals for June 30, 2009)

	Narcotics Asset Seizure	COPS AB3229	Justice Assistance Grant	Law Enforcement Technology
ASSETS				
Cash and investments held by City	\$ 637,125	\$ -	\$ 4,696	\$ -
Restricted cash and investments				
held by fiscal agent	33,340	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	52,790	95,654	-	460,124
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	\$ 723,255	\$ 95,654	\$ 4,696	\$ 460,124
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,398	\$ -	\$ -	\$ 3,840
Salaries and wages payable	3,121	-	-	-
Due to other funds	-	90,209	-	456,284
Other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	10,519	90,209	-	460,124
Fund Balances:				
Reserved for encumbrances	-	-	-	-
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	712,736	5,445	4,696	-
Capital projects	-	-	-	-
Undesignated	-	-	-	-
Total fund balances	712,736	5,445	4,696	-
Total liabilities and fund balances	\$ 723,255	\$ 95,654	\$ 4,696	\$ 460,124

Special Revenue Funds						
Inclusionary Housing In Lieu	Metropolitan Medical Response System	American Reinvestment and Recovery Act	Miscellaneous Federal Grants	Miscellaneous State Support	Traffic Congestion AB2928	State Gas Tax
\$ 910,177	\$ 116,392	\$ -	\$ 444,982	\$ -	\$ 440,743	\$ 10,111,635
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	315,324	610,262	66,752	226,299	546,260	318,569
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	40,404
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 910,177	\$ 431,716	\$ 610,262	\$ 511,734	\$ 226,299	\$ 987,003	\$ 10,470,608
\$ -	\$ 76,061	\$ 53,366	\$ -	\$ 10,085	\$ -	\$ 157,764
-	-	-	-	-	-	-
-	-	429,238	-	81,224	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	76,061	482,604	-	91,309	-	157,764
-	41,436	359,980	-	-	-	176,706
-	-	-	-	-	-	-
910,177	314,219	-	511,734	134,990	987,003	10,136,138
-	-	-	-	-	-	-
-	-	(232,322)	-	-	-	-
910,177	355,655	127,658	511,734	134,990	987,003	10,312,844
\$ 910,177	\$ 431,716	\$ 610,262	\$ 511,734	\$ 226,299	\$ 987,003	\$ 10,470,608

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010
(With comparative totals for June 30, 2009)

	Special Revenue Funds			Total Non-major Special Revenue Funds
	Prop 1B Local Streets & Roads	County Support for City Street	Maintenance District	
ASSETS				
Cash and investments held by City	\$ 2,912,012	\$ 19,334	\$ 254,720	\$ 26,169,882
Restricted cash and investments				
held by fiscal agent	-	-	-	33,340
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	-	-	-	5,586,287
Housing rehabilitation loans, net	-	-	-	1,465,151
Accrued interest	-	-	-	1,457,731
Other	3,792	-	734	1,548,537
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	\$ 2,915,804	\$ 19,334	\$ 255,454	\$ 36,260,928
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 77,146	\$ -	\$ 13,331	\$ 1,058,933
Salaries and wages payable	-	-	-	113,466
Due to other funds	-	-	-	2,898,191
Other liabilities	-	-	-	-
Deferred revenue	-	-	-	3,117,031
Total liabilities	77,146	-	13,331	7,187,621
Fund Balances:				
Reserved for encumbrances	-	-	-	1,018,251
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	2,838,658	19,334	242,123	28,486,918
Capital projects	-	-	-	-
Undesignated	-	-	-	(431,862)
Total fund balances	2,838,658	19,334	242,123	29,073,307
Total liabilities and fund balances	\$ 2,915,804	\$ 19,334	\$ 255,454	\$ 36,260,928

Debt Service Funds			Capital Project Funds			
Fire General Obligation Bonds	Financing Authority	Total Non-major Debt Service	Transportation Development Act	Miscellaneous State Grants Capital	Interchange Construction	
\$ 2,368,722	\$ -	\$ 2,368,722	\$ -	\$ -	\$ 3,156,878	
-	4,708,300	4,708,300	-	-	-	
23,017	-	23,017	-	-	-	
-	-	-	160,227	340,161	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	3,764,808	
<u>\$ 2,391,739</u>	<u>\$ 4,708,300</u>	<u>\$ 7,100,039</u>	<u>\$ 160,227</u>	<u>\$ 340,161</u>	<u>\$ 6,921,686</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	
-	-	-	-	-	-	
-	-	-	160,227	340,161	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	160,227	340,161	150,000	
500	-	500	-	253,175	-	
2,391,239	4,708,300	7,099,539	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	6,771,686	
-	-	-	-	(253,175)	-	
<u>2,391,739</u>	<u>4,708,300</u>	<u>7,100,039</u>	<u>-</u>	<u>-</u>	<u>6,771,686</u>	
<u>\$ 2,391,739</u>	<u>\$ 4,708,300</u>	<u>\$ 7,100,039</u>	<u>\$ 160,227</u>	<u>\$ 340,161</u>	<u>\$ 6,921,686</u>	

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010
(With comparative totals for June 30, 2009)

	Capital Project Funds			
	Vehicle Replacement	Capital Improvement	Capital Improvement - Outside Sources	Measure B
ASSETS				
Cash and investments held by City	\$ 5,089,606	\$ 16,652,734	\$ 3,255,851	\$ 4,549,253
Restricted cash and investments				
held by fiscal agent	-	2,703,662	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	-	-	863	591,204
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	377,914	345,530	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	\$ 5,089,606	\$ 19,734,310	\$ 3,602,244	\$ 5,140,457
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 511,497	\$ 1,480,691	\$ 367,901	\$ 23,152
Salaries and wages payable	-	-	-	-
Due to other funds	-	-	-	-
Other liabilities	-	8,890	-	-
Deferred revenue	-	-	-	-
Total liabilities	511,497	1,489,581	367,901	23,152
Fund Balances:				
Reserved for encumbrances	1,425,821	2,743,788	110,106	319,565
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	-	-	-	-
Capital projects	3,152,288	15,500,941	3,124,237	4,797,740
Undesignated	-	-	-	-
Total fund balances	4,578,109	18,244,729	3,234,343	5,117,305
Total liabilities and fund balances	\$ 5,089,606	\$ 19,734,310	\$ 3,602,244	\$ 5,140,457

Capital Project Funds			Total	Total Non-major	
Intermodal	Traffic	Fire General	Non-major	Governmental Funds	
Surface	System	Obligation	Capital		
Transportation	Management	Bonds	Projects	2010	2009
Efficiency Act			Funds		
\$ -	\$ -	\$ 6,728,520	\$ 39,432,842	\$ 67,971,446	\$ 91,160,510
-	-	-	2,703,662	7,445,302	12,427,365
-	-	-	-	23,017	40,629
283,107	194,249	-	1,569,811	7,156,098	9,724,757
-	-	-	-	1,465,151	1,270,151
-	-	29	29	1,457,760	1,239,579
-	-	-	723,444	2,271,981	1,474,473
-	-	-	-	-	-
-	-	-	3,764,808	3,764,808	-
<u>\$ 283,107</u>	<u>\$ 194,249</u>	<u>\$ 6,728,549</u>	<u>\$ 48,194,596</u>	<u>\$ 91,555,563</u>	<u>\$ 117,337,464</u>
\$ 727	\$ 1,090	\$ 763,271	\$ 3,298,329	\$ 4,357,262	\$ 4,667,595
-	-	-	-	113,466	100,280
282,380	193,159	-	975,927	3,874,118	5,077,462
-	-	-	8,890	8,890	-
-	-	-	-	3,117,031	2,802,420
<u>283,107</u>	<u>194,249</u>	<u>763,271</u>	<u>4,283,146</u>	<u>11,470,767</u>	<u>12,647,757</u>
1,307,402	-	3,502,153	9,662,010	10,680,761	25,990,421
-	-	-	-	7,099,539	6,454,347
-	-	-	-	28,486,918	30,439,270
-	-	2,463,125	35,810,017	35,810,017	45,528,493
(1,307,402)	-	-	(1,560,577)	(1,992,439)	(3,722,824)
<u>-</u>	<u>-</u>	<u>5,965,278</u>	<u>43,911,450</u>	<u>80,084,796</u>	<u>104,689,707</u>
<u>\$ 283,107</u>	<u>\$ 194,249</u>	<u>\$ 6,728,549</u>	<u>\$ 48,194,596</u>	<u>\$ 91,555,563</u>	<u>\$ 117,337,464</u>

(Concluded)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Special Revenue Funds			
	Community Development Block Grant	HOME Grant	HUD/HOPE Grant	HUD/SHP Grant
REVENUES:				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	1,554,182	38,418	-	269,790
Investment earnings	-	-	-	-
Other	-	-	-	-
Total revenues	1,554,182	38,418	-	269,790
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	297,790	-	-	-
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	1,246,526	20,121	-	269,661
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,544,316	20,121	-	269,661
REVENUES OVER (UNDER) EXPENDITURES	9,866	18,297	-	129
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(9,866)	(18,297)	-	(129)
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	(9,866)	(18,297)	-	(129)
Net change in fund balances	-	-	-	-
FUND BALANCES:				
Beginning of year	-	3,685	6,211	-
End of year	\$ -	\$ 3,685	\$ 6,211	\$ -

Special Revenue Funds						
Multi-family Housing	Older Americans Grant	Tri-City Elders	Senior Services	Multipurpose Senior Services Program	Area Agency on Aging MSSP	Alameda County Senior Mobile Mental Health
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20,750	-	16,260	141,594	-	-	22,032
-	45,438	-	-	235,674	145,106	527,796
1,556	-	2,672	-	-	-	-
-	-	70,530	267,307	-	-	-
22,306	45,438	89,462	408,901	235,674	145,106	549,828
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	45,438	64,551	763,944	234,474	141,100	512,257
-	-	-	-	-	-	-
59,000	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
59,000	45,438	64,551	763,944	234,474	141,100	512,257
(36,694)	-	24,911	(355,043)	1,200	4,006	37,571
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	25,000	428,860	-	-	-
(7,080)	-	(1,505)	(9,918)	(1,200)	(4,006)	(36,864)
-	-	-	-	-	-	-
(7,080)	-	23,495	418,942	(1,200)	(4,006)	(36,864)
(43,774)	-	48,406	63,899	-	-	707
69,511	-	99,045	120,660	-	3,564	-
\$ 25,737	\$ -	\$ 147,451	\$ 184,559	\$ -	\$ 3,564	\$ 707

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Special Revenue Funds			
	Family Resource Center	Haas Grant	Youth Service Center	Every Child Counts Grant
REVENUES:				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	809,402	-	-	642,601
Intergovernmental	129,236	-	455,850	229,392
Investment earnings	86,462	-	-	-
Other	138,216	-	-	-
Total revenues	1,163,316	-	455,850	871,993
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	616,768	-	455,850	747,030
Capital assets maintenance and operations	55,345	-	-	-
Community development and environmental services	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	72,162	-	-	-
Total expenditures	744,275	-	455,850	747,030
EXPENDITURES	419,041	-	-	124,963
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	3,845	-	-	-
Transfers out	(582,992)	-	-	(53,995)
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	(579,147)	-	-	(53,995)
Net change in fund balances	(160,106)	-	-	70,968
FUND BALANCES:				
Beginning of year	4,084,354	3,584	-	556,798
End of year	\$ 3,924,248	\$ 3,584	\$ -	\$ 627,766

Special Revenue Funds						
Alameda Behavioral Health Care	Measure B	Human Services Miscellaneous	Integrated Waste Management	Urban Runoff	Traffic Safety OTS	Abandoned Vehicle
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	21,943	1,150	4,410,298	1,336,520	-	-
164,151	700,861	361,587	206,909	-	14,065	151,420
-	1,716	-	-	-	-	-
-	-	45,364	-	-	-	-
164,151	724,520	408,101	4,617,207	1,336,520	14,065	151,420
-	-	-	-	-	14,065	151,420
-	-	-	-	-	-	-
158,808	690,477	180,862	-	-	-	-
-	-	-	32,983	143,244	-	-
-	-	-	5,758,800	1,227,678	-	-
-	-	-	-	-	-	-
-	-	-	-	(25,000)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
158,808	690,477	180,862	5,791,783	1,345,922	14,065	151,420
5,343	34,043	227,239	(1,174,576)	(9,402)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,168	2,270	-	-
(5,343)	(19,200)	(25,000)	(295,061)	(135,783)	-	-
-	-	-	-	-	-	-
(5,343)	(19,200)	(25,000)	(292,893)	(133,513)	-	-
-	14,843	202,239	(1,467,469)	(142,915)	-	-
-	110,214	450,567	5,496,163	2,319,100	-	-
\$ -	\$ 125,057	\$ 652,806	\$ 4,028,694	\$ 2,176,185	\$ -	\$ -

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Special Revenue Funds			
	Narcotics Asset Seizure	COPS AB3229	Justice Assistance Grant	Law Enforcement Technology
REVENUES:				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	277,488	187,277	68,604	452,605
Investment earnings	12,545	792	-	-
Other	-	-	-	-
Total revenues	290,033	188,069	68,604	452,605
EXPENDITURES:				
Current:				
Police services	285,046	187,775	63,908	452,605
Fire services	-	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	48,134	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	333,180	187,775	63,908	452,605
EXPENDITURES	(43,147)	294	4,696	-
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	50,000	-	-	-
Transfers out	-	-	-	-
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	50,000	-	-	-
Net change in fund balances	6,853	294	4,696	-
FUND BALANCES:				
Beginning of year	705,883	5,151	-	-
End of year	<u>\$ 712,736</u>	<u>\$ 5,445</u>	<u>\$ 4,696</u>	<u>\$ -</u>

Special Revenue Funds						
Inclusionary Housing In Lieu	Metropolitan Medical Response System	American Reinvestment and Recovery Act	Miscellaneous Federal Grants	Miscellaneous State Support	Traffic Congestion AB2928	State Gas Tax
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	330,134	6,661,111	592,787	496,289	1,956,258	3,518,107
-	3,837	-	-	-	735	193,381
626,010	73,720	-	-	-	-	-
626,010	407,691	6,661,111	592,787	496,289	1,956,993	3,711,488
-	-	133,067	26,908	183,641	-	-
-	402,171	-	221,286	-	-	-
-	-	264,426	133,313	165,658	-	-
-	-	6,024,532	-	-	1,978,229	2,673,917
-	-	100,311	-	-	-	-
-	-	-	-	-	-	-
-	47,288	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	449,459	6,522,336	381,507	349,299	1,978,229	2,673,917
626,010	(41,768)	138,775	211,280	146,990	(21,236)	1,037,571
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(11,117)	(16,000)	(12,000)	-	-
-	-	-	-	-	-	-
-	-	(11,117)	(16,000)	(12,000)	-	-
626,010	(41,768)	127,658	195,280	134,990	(21,236)	1,037,571
284,167	397,423	-	316,454	-	1,008,239	9,275,273
\$ 910,177	\$ 355,655	\$ 127,658	\$ 511,734	\$ 134,990	\$ 987,003	\$ 10,312,844

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Special Revenue Funds			Total Non-major Special Revenue Funds
	Prop 1B Local Streets & Roads	County Support for City Streets	Maintenance District	
REVENUES:				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	166,906	7,589,456
Intergovernmental	-	-	-	19,770,535
Investment earnings	105,388	408	-	409,492
Other	-	-	-	1,221,147
Total revenues	105,388	408	166,906	28,990,630
EXPENDITURES:				
Current:				
Police services	-	-	-	1,498,435
Fire services	-	-	-	623,457
Human services	-	-	-	5,472,746
Capital assets maintenance and operations	952,606	-	116,965	11,977,821
Community development and environmental services	-	-	-	8,682,097
Intergovernmental	1,802,150	-	-	1,802,150
Capital outlay	-	-	-	70,422
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	72,162
Total expenditures	2,754,756	-	116,965	30,199,290
EXPENDITURES	(2,649,368)	408	49,941	(1,208,660)
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	-	-	512,143
Transfers out	-	-	(5,821)	(1,251,177)
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	-	-	(5,821)	(739,034)
Net change in fund balances	(2,649,368)	408	44,120	(1,947,694)
FUND BALANCES:				
Beginning of year	5,488,026	18,926	198,003	31,021,001
End of year	\$ 2,838,658	\$ 19,334	\$ 242,123	\$ 29,073,307

Debt Service Funds		Total Non-major Debt Service Fund	Capital Projects Funds		
Fire General Obligation Bonds	Financing Authority		Transportation Development Act	Miscellaneous State Grants Capital	Interchange Construction
\$ 3,596,522	\$ -	\$ 3,596,522	\$ -	\$ -	\$ -
1,693	-	1,693	-	-	-
-	-	-	133,977	1,096,748	-
15,661	158,050	173,711	-	-	129,110
-	-	-	-	-	-
3,613,876	158,050	3,771,926	133,977	1,096,748	129,110
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	133,977	32,608	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,064,140	1,096,308
740,000	3,405,000	4,145,000	-	-	-
2,255,299	2,351,590	4,606,889	-	-	-
2,995,299	5,756,590	8,751,889	133,977	1,096,748	1,096,308
618,577	(5,598,540)	(4,979,963)	-	-	(967,198)
-	-	-	-	-	-
-	-	-	-	-	-
10,062	5,615,093	5,625,155	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,062	5,615,093	5,625,155	-	-	-
628,639	16,553	645,192	-	-	(967,198)
1,763,100	4,691,747	6,454,847	-	-	7,738,884
\$ 2,391,739	\$ 4,708,300	\$ 7,100,039	\$ -	\$ -	\$ 6,771,686

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Capital Project Funds			
	Vehicle Replacement	Capital Improvement	Capital Improvement Outside Sources	Measure B
REVENUES:				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	252,613	-	-
Intergovernmental	-	-	863	8,935,797
Investment earnings	115,649	569,691	-	119,765
Other	90,267	359,926	627,664	-
Total revenues	205,916	1,182,230	628,527	9,055,562
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	-	-	-	41,820
Capital assets maintenance and operations	480,855	5,626,598	267,274	2,141,287
Community development and environmental services	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	1,296,435	8,054,885	107,810	6,796,824
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,777,290	13,681,483	375,084	8,979,931
EXPENDITURES	(1,571,374)	(12,499,253)	253,443	75,631
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	1,457,140	950,000	-	-
Transfers out	-	(2,653,890)	-	-
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	1,457,140	(1,703,890)	-	-
Net change in fund balances	(114,234)	(14,203,143)	253,443	75,631
FUND BALANCES:				
Beginning of year	4,692,343	32,447,872	2,980,900	5,041,674
End of year	\$ 4,578,109	\$ 18,244,729	\$ 3,234,343	\$ 5,117,305

Capital Project Funds			Total	Total Non-major	
Intermodal	Traffic	Fire General	Non-major	Governmental Funds	
Surface	System	Obligation	Capital		
Transportation	Management	Bonds	Projects	2010	2009
Efficiency Act			Funds		
\$ -	\$ -	\$ -	\$ -	\$ 3,596,522	\$ 2,649,050
-	-	-	252,613	7,843,762	7,626,148
436,225	167,185	-	10,770,795	30,541,330	32,373,889
-	-	59,625	993,840	1,577,043	2,112,317
-	-	-	1,077,857	2,299,004	2,309,875
436,225	167,185	59,625	13,095,105	45,857,661	47,071,279
-	-	-	-	1,498,435	791,677
-	-	-	-	623,457	726,755
-	-	-	41,820	5,514,566	4,962,770
436,225	167,185	37,973	9,323,982	21,301,803	15,280,295
-	-	-	-	8,682,097	10,645,389
-	-	-	-	1,802,150	-
-	-	8,358,498	26,774,900	26,845,322	28,562,145
-	-	-	-	4,145,000	4,695,000
-	-	-	-	4,679,051	7,510,490
436,225	167,185	8,396,471	36,140,702	75,091,881	73,174,521
-	-	(8,336,846)	(23,045,597)	(29,234,220)	(26,103,242)
-	-	-	-	-	92,360,000
-	-	-	-	-	353,665
-	-	-	2,407,140	8,544,438	27,363,454
-	-	(10,062)	(2,663,952)	(3,915,129)	(17,594,716)
-	-	-	-	-	(57,815,000)
-	-	(10,062)	(256,812)	4,629,309	44,667,403
-	-	(8,346,908)	(23,302,409)	(24,604,911)	18,564,161
-	-	14,312,186	67,213,859	104,689,707	86,125,546
\$ -	\$ -	\$ 5,965,278	\$ 43,911,450	\$ 80,084,796	\$ 104,689,707

(Concluded)

Non-Major Governmental Funds

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Supplementary Information

Proprietary Funds

City of Fremont
Combining Statement of Net Assets
Proprietary Fund Type
June 30, 2010
(With comparative totals for June 30, 2009)

	Internal Service Funds				
	Risk Management	Information Technology	Other Post Employment Benefits	Totals	
				2010	2009
ASSETS					
Current assets:					
Cash and investments held by City	\$ 11,926,604	\$ 4,139,796	\$ -	\$ 16,066,400	\$ 13,852,516
Other receivables	-	187,207	-	187,207	153,054
Total current assets	11,926,604	4,327,003	-	16,253,607	14,005,570
Noncurrent assets:					
Depreciable assets	-	8,921,774	-	8,921,774	8,757,117
Less accumulated depreciation	-	(6,276,201)	-	(6,276,201)	(6,004,074)
Land held for resale	2,821,430	-	-	2,821,430	2,821,430
Total noncurrent assets	2,821,430	2,645,573	-	5,467,003	5,574,473
Total assets	14,748,034	6,972,576	-	21,720,610	19,580,043
LIABILITIES					
Current liabilities:					
Accounts payable	91,916	29,616	-	121,532	595,255
Salaries and wages payable	38,407	74,190	-	112,597	128,195
Claims payable	5,007,000	-	-	5,007,000	4,442,000
Total current liabilities	5,137,323	103,806	-	5,241,129	5,165,450
Noncurrent liabilities:					
Claims payable	8,581,000	-	-	8,581,000	7,556,000
Net other post employment benefits liability	-	-	-	-	3,387,761
Total noncurrent liabilities	8,581,000	-	-	8,581,000	10,943,761
Total liabilities	13,718,323	103,806	-	13,822,129	16,109,211
NET ASSETS					
Invested in capital assets	-	2,645,573	-	2,645,573	2,753,043
Unrestricted	1,029,711	4,223,197	-	5,252,908	717,789
Total net assets	\$ 1,029,711	\$ 6,868,770	\$ -	\$ 7,898,481	\$ 3,470,832

City of Fremont

Combining Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund Type

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Internal Service Funds				
	Risk Management	Information Technology	Other Post Employment Benefits	Totals	
				2010	2009
OPERATING REVENUES:					
Charges for services	\$ 6,879,214	\$ 5,752,664	\$ -	\$ 12,631,878	\$ 14,367,201
Other	48,678	18,293	-	66,971	69,396
Total operating revenues	6,927,892	5,770,957	-	12,698,849	14,436,597
OPERATING EXPENSES:					
Salaries and wages	463,302	2,653,346	-	3,116,648	3,245,091
Insurance premiums	809,851	-	-	809,851	797,734
Provision for claim losses	5,492,170	-	-	5,492,170	5,496,760
Claims administration	250,868	-	-	250,868	342,928
Materials and supplies	9,690	1,253,741	-	1,263,431	1,261,275
Depreciation	-	272,127	-	272,127	456,692
Other postemployment benefits	-	-	-	-	3,387,000
Other	-	58,668	-	58,668	77,240
Total operating expenses	7,025,881	4,237,882	-	11,263,763	15,064,720
OPERATING INCOME (LOSS)	(97,989)	1,533,075	-	1,435,086	(628,123)
NONOPERATING REVENUES (EXPENSES):					
Investment income	237,944	73,329	-	311,273	221,418
Total nonoperating revenues (expenses)	237,944	73,329	-	311,273	221,418
Transfers in	6,729	70,878	-	77,607	57,037
Transfers out	(2,244)	(710,930)	(70,904)	(784,078)	(632,649)
INCREASE IN NET ASSETS	144,440	966,352	(70,904)	1,039,888	(982,317)
NET ASSETS:					
Beginning of year, restated	885,271	5,902,418	70,904	6,858,593	4,453,149
End of year	\$ 1,029,711	\$ 6,868,770	\$ -	\$ 7,898,481	\$ 3,470,832

City of Fremont
Combining Statement of Cash Flows
Proprietary Fund Type
For the year ended June 30, 2010
(With comparative totals for the year ended June 30, 2009)

	Internal Service Funds				
	Risk Management	Information Technology	Other Post Employment Benefits	Totals	
				2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from users	\$ 6,882,157	\$ 5,715,568	\$ -	\$ 12,597,725	\$ 14,380,142
Other revenue	48,678	18,293	-	66,971	69,396
Less: Payments to suppliers	(1,222,693)	(1,575,180)	-	(2,797,873)	(2,068,362)
Payments for employees services	(460,918)	(2,671,328)	-	(3,132,246)	(3,236,556)
Payments for claims paid	(3,902,170)	-	-	(3,902,170)	(3,856,760)
Payments for other post employment benefits	-	-	-	-	(1,772,404)
Payments to others	-	(58,668)	-	(58,668)	(77,240)
Net cash provided by operating activities	1,345,054	1,428,685	-	2,773,739	3,438,216
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on cash and investments	237,944	73,329	-	311,273	221,418
Net cash provided by investing activities	237,944	73,329	-	311,273	221,418
CASH FLOWS FROM CAPITAL ACTIVITIES:					
Acquisition of capital assets	-	(164,657)	-	(164,657)	(356,247)
Net cash (used) by capital activities	-	(164,657)	-	(164,657)	(356,247)
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:					
Transfers in	6,729	70,878	-	77,607	57,037
Transfers out	(2,244)	(710,930)	(70,904)	(784,078)	(632,649)
Net cash provided (used) by noncapital activities	4,485	(640,052)	(70,904)	(706,471)	(575,612)
Net increase in cash and cash investments	1,587,483	697,305	(70,904)	2,213,884	2,727,775
CASH AND INVESTMENTS:					
Beginning of year	10,339,121	3,442,491	70,904	13,852,516	11,124,741
End of year	<u>\$ 11,926,604</u>	<u>\$ 4,139,796</u>	<u>\$ -</u>	<u>\$ 16,066,400</u>	<u>\$ 13,852,516</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (97,989)	\$ 1,533,075	\$ -	\$ 1,435,086	\$ (628,123)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	272,127	-	272,127	456,692
Changes in assets and liabilities:					
Accounts receivable	2,943	(37,096)	-	(34,153)	12,941
Accounts payable	(152,284)	(321,439)	-	(473,723)	333,575
Salaries and wages payable	2,384	(17,982)	-	(15,598)	8,535
Compensated absences	-	-	-	-	1,640,000
Claims payable	1,590,000	-	-	1,590,000	1,614,596
Other post employment benefits payable	-	-	-	-	-
Net cash provided by operating activities	\$ 1,345,054	\$ 1,428,685	\$ -	\$ 2,773,739	\$ 3,438,216

Agency Funds are used to account for assets held by the City on behalf of others as their agent. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations. Specific agency funds are as follows:

Local Improvement Districts – Special assessment bonds were issued by local improvement districts under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. This fund also accounts for the City of Fremont Community Facilities District No. 1. \$30 million Series 2001 bonds and \$38 million Series 2005 bonds which were issued to finance the public improvements at Pacific Commons. The 2001 and 2005 Series bonds each have a series of maturities of up to 30 years and have a weighted average fixed interest rate of 6.11% (Series 2001) and 5.33% (Series 2005).

Performance Bonds, Deposits and Confiscated Assets – This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police and other deposits, held by the City in a fiduciary capacity.

Tri-City Waste Facility Financing Authority – This fund accounts for the revenue bonds issued by the cities of Fremont, Newark and Union City to pay for the cities' share of the future landfill closing costs of the Durham Road Landfill. The outstanding bonds were paid in full during the third quarter of fiscal year 2009/10.

Southern Alameda County GIS – This fund accounts for monies collected from participating agencies for the administration of the program. The City of Fremont is the administrator of the Geographic Information System which serves the participating agencies. The program operates under a JPA that was approved by the City of Fremont, City of Union City, City of Newark, Union Sanitary District and Alameda County Water District.

City of Fremont
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

(With comparative totals for June 30, 2009)

	Local Improvement Districts	Performance Bonds, Deposits and Confiscated Assets	Tri-City Waste Facility Financing Authority	Southern Alameda County GIS	Total	
					2010	2009
<u>All Agency Funds</u>						
Assets:						
Cash and investments held by City	\$ 13,645,422	\$ 758,455	\$ -	\$ -	\$ 14,403,877	\$ 17,061,453
Restricted cash and investments held by City	-	-	-	-	-	2,019,526
Restricted cash and investments held by fiscal agent	8,357,971	-	-	-	8,357,971	10,362,980
Interest receivable	-	-	-	-	-	36,775
Accounts receivable	-	574,656	-	62,266	636,922	1,491,193
Other receivables	59,982	-	-	-	59,982	215,132
Total assets	\$ 22,063,375	\$ 1,333,111	\$ -	\$ 62,266	\$ 23,458,752	\$ 31,187,059
Liabilities:						
Accounts payable	\$ -	\$ 100,676	\$ -	\$ -	\$ 100,676	\$ 169,365
Cash overdraft	-	-	-	47,953	47,953	4,390
Deposits	22,063,375	1,232,435	-	14,313	23,310,123	31,013,304
Total liabilities	\$ 22,063,375	\$ 1,333,111	\$ -	\$ 62,266	\$ 23,458,752	\$ 31,187,059

City of Fremont
Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>Local Improvement Districts</u>				
Assets:				
Cash and investments held by City	\$ 16,730,927	\$ 12,809,469	\$ (15,894,974)	\$ 13,645,422
Restricted cash and investments held by City	2,019,526	-	(2,019,526)	-
Restricted cash and investments held by fiscal agent	9,597,290	11,779,740	(13,019,059)	8,357,971
Interest receivable	36,775	-	(36,775)	-
Other receivables	182,599	8,263,574	(8,386,191)	59,982
Total assets	\$ 28,567,117	\$ 32,852,783	\$ (39,356,525)	\$ 22,063,375
Liabilities:				
Deposits	\$ 28,567,117	\$ 36,154,378	\$ (42,658,120)	\$ 22,063,375
Total liabilities	\$ 28,567,117	\$ 36,154,378	\$ (42,658,120)	\$ 22,063,375
<u>Performance Bonds, Deposits and Confiscated Assets</u>				
Assets:				
Cash and investments held by City	\$ -	\$ 3,836,157	\$ (3,077,702)	\$ 758,455
Restricted cash and investments held by fiscal agent	1,395	-	(1,395)	-
Accounts receivable	1,477,669	3,330,611	(4,233,624)	574,656
Total assets	\$ 1,479,064	\$ 7,166,768	\$ (7,312,721)	\$ 1,333,111
Liabilities:				
Accounts payable	\$ 169,365	\$ 2,711,290	\$ (2,779,979)	\$ 100,676
Cash overdraft	4,390	-	(4,390)	-
Deposits	1,305,309	5,954,756	(6,027,630)	1,232,435
Total liabilities	\$ 1,479,064	\$ 8,666,046	\$ (8,811,999)	\$ 1,333,111
<u>Tri-City Waste Facility Financing Authority</u>				
Assets:				
Cash and investments held by City	\$ 329,835	\$ 2,242,299	\$ (2,572,134)	\$ -
Restricted cash and investments held by fiscal agent	764,295	2,001,849	(2,766,144)	-
Other receivables	32,533	-	(32,533)	-
Total assets	\$ 1,126,663	\$ 4,244,148	\$ (5,370,811)	\$ -
Liabilities:				
Deposits	\$ 1,126,663	\$ 1,397,603	\$ (2,524,266)	\$ -
Total liabilities	\$ 1,126,663	\$ 1,397,603	\$ (2,524,266)	\$ -

(Continued)

City of Fremont
Statement of Changes in Assets and Liabilities
Agency Funds, Continued
For the year ended June 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>Southern Alameda County GIS</u>				
Assets:				
Cash and investments held by City	\$ 691	\$ 44,020	\$ (44,711)	\$ -
Accounts receivable	13,524	62,266	(13,524)	62,266
Total assets	\$ 14,215	\$ 106,286	\$ (58,235)	\$ 62,266
Liabilities:				
Accounts payable	\$ -	\$ 71,122	\$ (71,122)	\$ -
Cash overdraft	-	47,953	-	47,953
Deposits	14,215	98	-	14,313
Total liabilities	\$ 14,215	\$ 71,220	\$ (71,122)	\$ 62,266
 <u>Total Agency Funds</u>				
Assets:				
Cash and investments held by City	\$ 17,061,453	\$ 18,931,945	\$ (21,589,521)	\$ 14,403,877
Restricted cash and investments held by City	2,019,526	-	(2,019,526)	-
Restricted cash and investments held by fiscal agent	10,362,980	13,781,589	(15,786,598)	8,357,971
Interest receivable	36,775	-	(36,775)	-
Accounts receivables	1,491,193	3,392,877	(4,247,148)	636,922
Other receivables	215,132	8,263,574	(8,418,724)	59,982
Total assets	\$ 31,187,059	\$ 44,369,985	\$ (52,098,292)	\$ 23,458,752
Liabilities:				
Accounts payable	\$ 169,365	\$ 2,782,412	\$ (2,851,101)	\$ 100,676
Cash overdraft	4,390	47,953	(4,390)	47,953
Deposits	31,013,304	43,506,835	(51,210,016)	23,310,123
Total liabilities	\$ 31,187,059	\$ 46,289,247	\$ (54,061,117)	\$ 23,458,752

(Concluded)

Statistical Section

This part of the City of Fremont's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	132
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	140
These schedules contain information to help the reader assess the factors affecting the City's ability to generate property tax.	
Debt Capacity	144
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	148
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	153
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2001/02; schedules presenting government-wide information include information beginning in that year.

City of Fremont
Net Assets by Component
June 30, 2010
Last Nine Fiscal Years
accrual basis of accounting
(Unaudited)

	2001-2002		2002-2003		2003-2004		2004-2005	
Governmental activities								
Invested in capital assets, net of related debt	\$	482,153,019	\$	463,205,250	\$	476,711,460	\$	477,491,078
Restricted		208,272,548		233,206,982		223,279,148		233,465,777
Unrestricted		43,912,124		44,760,194		47,710,005		50,687,189
Total primary government net assets	\$	734,337,691	\$	741,172,426	\$	747,700,613	\$	761,644,044

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2001/2002.

Schedule 1

2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
\$ 492,609,091	\$ 507,801,920	\$ 597,016,241	\$ 617,287,566	\$ 692,580,546
232,686,345	253,733,287	262,457,732	258,314,734	212,378,805
52,601,260	51,665,700	43,467,426	39,138,468	26,466,457
\$ 777,896,696	\$ 813,200,907	\$ 902,941,399	\$ 914,740,768	\$ 931,425,808

City of Fremont
Changes in Net Assets
June 30, 2010
Last Nine Fiscal Years
accrual basis of accounting
(Unaudited)

Expenses					
Governmental activities:					
General government	\$ 12,660,953	\$ 12,465,583	\$ 10,497,335	\$ 10,927,465	\$ 11,504,343
Police services	40,344,058	38,441,241	40,613,307	45,097,014	46,923,899
Fire services	24,359,513	24,182,471	23,593,554	26,157,733	27,439,461
Human services	4,843,775	5,782,214	5,532,651	6,006,485	6,622,615
Capital assets maintenance and operations	47,004,298	39,335,850	35,292,159	33,952,582	34,033,545
Recreation and leisure services	6,105,478	5,381,940	5,305,249	4,906,353	5,292,877
Community development and environmental services	33,663,302	36,131,872	39,092,599	44,331,019	46,315,194
Intergovernmental	-	-	-	-	-
Interest on debt	5,988,587	7,457,832	7,754,841	6,939,093	8,749,040
Total primary government expenses	\$ 174,969,964	\$ 169,179,003	\$ 167,681,695	\$ 178,317,744	\$ 186,880,974
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 740,221	\$ 586,848	\$ 497,857	\$ 711,360	\$ 554,714
Police services	4,145,055	4,300,814	4,565,692	4,227,141	4,451,080
Fire services	1,907,064	2,397,907	2,451,767	2,450,562	2,653,190
Human services	945,544	1,259,156	1,316,513	1,292,815	1,646,046
Capital assets maintenance and operations	153,286	1,448,120	1,573,602	1,562,861	1,664,257
Recreation and leisure services	2,977,495	3,306,746	3,491,286	3,474,316	3,473,820
Community development and environmental services	9,545,939	8,261,723	10,871,809	14,626,076	14,870,735
Operating grants and contributions	14,283,788	18,997,590	20,515,161	13,701,055	15,673,580
Capital grants and contributions	6,741,433	5,399,792	741,323	491,304	649,463
Total primary government program revenues	\$ 41,439,825	\$ 45,958,696	\$ 46,025,010	\$ 42,537,490	\$ 45,636,885
Net (Expense)/Revenue					
Total primary government net expense	\$ (133,530,139)	\$ (123,220,307)	\$ (121,656,685)	\$ (135,780,254)	\$ (141,244,089)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property tax	\$ 58,561,392	\$ 60,805,988	\$ 63,856,070	\$ 62,247,469	\$ 83,462,380
Sales tax	29,195,816	28,202,974	26,796,489	30,619,014	32,276,785
Motor vehicle in lieu	3,759,737	4,009,909	3,813,050	4,623,173	2,041,387
Revenue loss mitigation	7,808,687	8,004,274	5,728,458	11,157,253	-
Business taxes	5,655,770	5,599,379	5,323,827	6,092,081	6,771,199
Transient occupancy tax	2,175,301	1,798,758	1,830,630	2,017,603	2,342,279
Property transfer tax	986,644	1,096,842	1,549,781	1,784,668	1,948,201
Development impact fees	2,916,140	2,687,489	6,987,670	8,867,917	5,527,178
Franchise fees	7,466,757	6,872,912	7,003,922	7,383,149	7,666,471
Investment earnings	13,082,943	10,184,761	3,438,906	7,304,154	9,049,458
Miscellaneous	3,043,089	791,756	1,856,069	2,461,066	6,411,403
Total primary government general revenues and other changes in net assets	\$ 134,652,276	\$ 130,055,042	\$ 128,184,872	\$ 144,557,547	\$ 157,496,741
Change in Net Assets					
Governmental activities	1,122,137	6,834,735	6,528,187	13,943,431	16,252,652
Pollution remediation obligation					
Total primary government change in net assets	\$ 1,122,137	\$ 6,834,735	\$ 6,528,187	\$ 13,943,431	\$ 16,252,652

Note: The City began to report accrual information when it implemented GASB34 in fiscal year 2001/02.

Schedule 2

	2006-2007		2007-2008		2008-2009		2009-2010
\$	13,008,021	\$	13,070,910	\$	13,767,479	\$	11,430,814
	50,900,709		54,340,131		55,686,039		55,616,399
	28,586,741		31,949,301		34,614,856		33,959,301
	7,023,486		8,570,232		8,543,626		8,939,110
	51,922,938		45,347,610		38,893,562		46,719,842
	5,746,712		6,248,438		6,929,936		6,868,067
	35,676,597		39,566,083		42,224,384		52,910,594
	-		-		12,740,670		-
	9,046,177		9,884,311		9,616,078		4,284,166
\$	201,911,381	\$	208,977,016	\$	223,016,630	\$	220,728,293

\$	365,018	\$	1,489,409	\$	1,686,609	\$	916,917
	5,151,589		4,863,088		5,202,320		4,386,919
	2,633,354		2,707,187		2,810,650		2,909,491
	1,938,551		1,775,799		2,069,671		1,864,397
	1,727,489		1,731,401		1,759,999		2,051,575
	3,844,673		4,028,541		4,604,871		5,480,873
	18,364,336		16,404,617		14,598,875		15,953,963
	28,035,029		25,380,774		22,954,564		22,854,182
	231,404		31,205,534		10,507,311		8,382,432
\$	62,291,443	\$	89,586,350	\$	66,194,870	\$	64,800,749

\$	(139,619,938)	\$	(119,390,666)	\$	(156,821,760)	\$	(155,927,544)
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\$	90,038,824	\$	98,144,859	\$	103,503,472	\$	102,848,091
	34,190,785		35,583,842		31,631,408		26,769,511
	1,220,418		938,566		727,164		634,305
	-		-		-		-
	6,738,310		7,508,481		7,009,869		7,106,402
	2,885,388		3,181,302		2,864,442		2,866,987
	1,504,708		1,092,279		840,065		975,982
	10,845,865		11,012,026		4,104,115		6,976,919
	7,902,406		7,953,642		8,328,847		7,928,716
	13,758,948		17,425,422		8,981,569		7,637,105
	5,838,497		3,402,237		3,530,178		8,393,566
\$	174,924,149	\$	186,242,656	\$	171,521,129	\$	172,137,584

	35,304,211		66,851,990		14,699,369		16,210,040
					(2,900,000)		475,000
\$	35,304,211	\$	66,851,990	\$	11,799,369	\$	16,685,040

City of Fremont
Fund Balances, Governmental Funds
June 30, 2010
Last Nine Fiscal Years
modified accrual basis of accounting
(Unaudited)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
General Fund					
Reserved	\$ 565,560	\$ 451,196	\$ 563,369	\$ 379,089	\$ 629,338
Unreserved	35,980,749	33,608,581	36,385,524	36,363,031	39,404,749
Total general fund	<u>\$ 36,546,309</u>	<u>\$ 34,059,777</u>	<u>\$ 36,948,893</u>	<u>\$ 36,742,120</u>	<u>\$ 40,034,087</u>
All Other Governmental Funds					
Reserved	\$ 77,492,865	\$ 64,722,787	\$ 83,957,254	\$ 96,343,792	\$ 85,903,878
Unreserved, designated for:					
Special revenue funds	28,909,816	79,750,606	69,459,148	55,773,577	55,335,438
Capital projects fund	122,189,350	137,990,369	85,662,254	95,326,847	106,135,519
Unreserved, undesignated for:					
Special revenue funds	(2,577,166)	(6,036,223)	-	-	(516,943)
Capital projects fund	-	(22,304,154)	-	-	(231,742)
Total all other governmental funds	<u>\$ 226,014,865</u>	<u>\$ 254,123,385</u>	<u>\$ 239,078,656</u>	<u>\$ 247,444,216</u>	<u>\$ 246,626,150</u>

Note: The City of Fremont has elected to show only nine years of data for this schedule.

Schedule 3

2006-2007	2007-2008	2008-2009	2009-2010
\$ 450,170	\$ 202,890	\$ 386,227	\$ 684,851
41,683,524	35,524,862	30,713,126	28,215,811
\$ 42,133,694	\$ 35,727,752	\$ 31,099,353	\$ 28,900,662
\$ 126,727,937	\$ 71,138,649	\$ 48,982,849	\$ 24,286,086
52,682,836	55,781,769	47,612,657	55,882,760
119,785,296	153,637,169	175,423,906	140,695,185
(709,919)	(528,661)	(490,498)	(549,808)
(37,814,289)	(11,744,190)	(3,146,561)	(1,560,577)
\$ 260,671,861	\$ 268,284,736	\$ 268,382,353	\$ 218,753,646

Changes in Fund Balances, Governmental Funds
June 30, 2010
Last Nine Fiscal Years
modified accrual basis of accounting
(Unaudited)

Revenues	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Taxes:					
Property tax	\$ 58,062,912	\$ 60,328,147	\$ 63,385,957	\$ 61,790,662	\$ 83,008,738
Sales tax	29,195,816	28,202,974	26,796,489	30,619,014	32,276,785
Motor vehicle in lieu	3,759,737	4,009,909	3,813,050	4,623,173	2,041,387
Revenue loss mitigation	7,808,686	8,004,274	5,728,458	11,157,253	-
Business taxes	5,655,770	5,599,379	5,323,827	6,092,081	6,771,199
Transient occupancy tax	3,161,945	2,895,600	3,380,411	2,017,604	1,948,201
Property transfer tax	-	-	-	1,784,668	2,342,279
Total taxes	107,644,866	109,040,283	108,428,192	118,084,455	128,388,589
Development impact fees	2,916,140	2,687,489	6,987,670	8,867,917	5,527,178
Franchise fees	7,466,757	6,872,912	7,003,922	7,546,775	7,666,471
Charges for services	19,856,637	21,320,438	24,768,526	27,389,159	30,054,401
Investment earnings	13,739,916	10,045,155	3,403,310	7,229,477	8,888,252
Intergovernmental	14,485,284	19,716,307	20,985,273	14,157,861	16,127,222
Other revenues	3,178,134	730,203	1,779,007	2,394,707	6,350,404
Total revenues	\$ 169,287,734	\$ 170,412,787	\$ 173,355,900	\$ 185,670,351	\$ 203,002,517
Expenditures					
General government	\$ 11,981,513	\$ 12,019,481	\$ 10,270,078	\$ 10,757,407	\$ 11,012,979
Police services	39,321,246	37,011,189	37,935,944	43,805,707	46,191,569
Fire services	23,651,021	22,298,745	23,050,940	25,203,843	26,501,821
Human services	4,752,837	5,685,116	5,480,620	5,947,640	6,560,721
Capital assets maintenance and operations	38,223,904	34,452,491	31,838,420	29,115,843	27,361,954
Recreation and leisure services	5,441,694	5,324,337	5,201,139	4,825,523	5,233,963
Community development and environmental services	26,440,166	29,300,150	29,818,864	34,329,281	35,811,739
Intergovernmental	7,405,599	6,371,857	8,940,670	9,761,863	10,187,704
Capital outlay	16,999,390	29,113,450	32,971,268	23,315,029	13,254,734
Debt service:					
Principal	4,835,000	5,385,000	6,455,000	6,730,000	9,675,000
Interest and fiscal charges	6,403,944	7,541,598	8,176,015	7,360,443	8,705,701
Total expenditures	\$ 185,456,314	\$ 194,503,414	\$ 200,138,958	\$ 201,152,579	\$ 200,497,885
Excess of revenues over (under) expenditures	\$ (16,168,580)	\$ (24,090,627)	\$ (26,783,058)	\$ (15,482,228)	\$ 2,504,632
Other Financing Sources (Uses)					
Debt issuance	\$ 10,055,000	\$ 54,865,000	\$ 73,355,000	\$ 25,000,000	\$ -
Premium on debt issue	-	-	-	362,917	-
Proceeds from HELP Loan	-	-	-	-	-
Payments to defease bonds	-	-	-	-	-
Transfers in	75,925,569	103,043,213	39,401,737	47,194,926	45,655,624
Transfer out	(75,417,639)	(102,510,598)	(38,984,292)	(48,916,828)	(45,686,355)
Payment to escrow agent	-	(5,685,000)	(59,145,000)	-	-
Total other financing sources (uses)	\$ 10,562,930	\$ 49,712,615	\$ 14,627,445	\$ 23,641,015	\$ (30,731)
Net change in fund balances	\$ (5,605,650)	\$ 25,621,988	\$ (12,155,613)	\$ 8,158,787	\$ 2,473,901
Debt service as a percentage of noncapital expenditures	6.7%	7.8%	8.8%	7.9%	9.8%

Note: The City of Fremont has elected to show only nine years of data for this schedule.

Schedule 4

2006-2007	2007-2008	2008-2009	2009-2010
\$ 89,560,729	\$ 98,144,859	\$ 103,503,472	\$ 102,848,091
34,190,785	35,583,842	31,631,408	26,769,511
1,220,418	938,566	727,164	634,305
-	-	-	-
6,738,310	7,508,481	7,009,869	7,106,402
2,885,388	3,181,302	2,864,442	2,866,987
1,504,708	1,092,279	840,065	975,982
136,100,338	146,449,329	146,576,420	141,201,278
10,845,865	11,012,026	4,104,115	6,976,919
7,902,406	7,953,642	8,328,847	7,928,716
31,755,677	31,599,774	30,910,844	31,553,854
13,405,022	16,955,191	8,760,151	7,325,832
28,513,124	52,363,648	32,643,976	30,710,452
5,769,464	3,980,839	3,460,782	8,326,595
\$ 234,291,896	\$ 270,314,449	\$ 234,785,135	\$ 234,023,646
\$ 12,094,439	\$ 12,628,762	\$ 11,711,458	\$ 11,126,970
50,065,794	52,837,739	54,573,391	53,798,999
27,630,794	30,364,662	32,710,995	31,471,578
6,995,637	8,565,647	8,582,926	8,929,839
48,265,999	42,341,852	39,069,515	40,386,402
5,588,467	6,188,443	6,876,778	6,720,593
26,563,329	29,316,813	42,360,414	28,393,990
8,550,372	10,170,059	12,753,545	26,182,316
13,142,337	57,959,324	39,318,636	41,936,766
9,975,000	10,300,000	20,390,000	8,130,000
8,810,719	8,186,907	10,235,890	7,021,913
\$ 217,682,887	\$ 268,860,208	\$ 278,583,548	\$ 264,099,366
\$ 16,609,009	\$ 1,454,241	\$ (43,798,413)	\$ (30,075,720)
\$ -	\$ -	\$ 92,360,000	\$ -
-	-	353,665	-
-	-	1,500,000	-
-	-	-	(22,085,000)
74,488,066	124,375,710	71,731,048	51,893,739
(74,951,757)	(123,829,663)	(71,155,437)	(51,187,268)
-	-	(57,815,000)	-
\$ (463,691)	\$ 546,047	\$ 36,974,276	\$ (21,378,529)
\$ 16,145,318	\$ 2,000,288	\$ (6,824,137)	\$ (51,454,249)
9.2%	8.8%	12.8%	6.8%

City of Fremont

Assessed Value and Actual Value of Taxable Property

Schedule 5

June 30, 2010

Last Ten Fiscal Years

in thousands of dollars

(Unaudited)

Fiscal Year	City				Redevelopment Agency				City Direct Rate
	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	
2001	\$ 19,269,210	\$ 2,033,059	\$ (563,447)	\$ 20,738,822	\$ 1,809,341	\$ 532,405	\$ (28,157)	\$ 2,313,589	0.0000%
2002	21,033,633	2,454,831	(588,039)	22,900,425	2,010,196	674,041	(28,393)	2,655,844	0.0000%
2003	22,308,180	2,329,805	(598,741)	24,039,244	2,143,722	687,466	(28,560)	2,802,628	0.0000%
2004	23,587,791	2,201,334	(603,544)	25,185,581	2,210,212	624,610	(31,379)	2,803,443	0.2900%
2005	24,901,891	1,893,085	(635,980)	26,158,996	2,284,805	536,002	(31,738)	2,789,069	0.2300%
2006	26,823,571	2,026,153	(668,294)	28,181,430	2,435,293	539,647	(32,744)	2,942,196	0.7900%
2007	28,907,217	2,036,828	(715,350)	30,228,695	2,558,821	521,918	(22,139)	3,058,600	0.4400%
2008	30,946,443	2,063,841	(732,041)	32,278,243	2,867,485	551,742	(27,949)	3,391,278	0.4200%
2009	32,521,734	2,185,774	(753,714)	33,953,794	3,118,831	542,396	(49,820)	3,611,407	0.7900%
2010	32,197,081	2,445,549	(809,531)	33,833,099	3,114,957	602,330	(55,130)	3,662,157	1.0700%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of \$1 based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" limited to a maximum increase of 2%. With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: County of Alameda

City of Fremont**Direct and Overlapping Property Tax Rates****Schedule 6****June 30, 2010****Last Ten Fiscal Years***accrual basis of accounting*

(Unaudited)

Fiscal Year	City Direct Rate	Overlapping Rates			Total Direct Rate
	General Obligation Debt Service	County	School District	Special Districts	
2001	-	1.0000	0.0256	0.0127	1.0383
2002	-	1.0000	0.0234	0.0136	1.0370
2003	-	1.0000	0.0572	0.0121	1.0693
2004	0.0029	1.0000	0.0742	0.0106	1.0877
2005	0.0023	1.0000	0.0761	0.0092	1.0876
2006	0.0079	1.0000	0.0626	0.0154	1.0859
2007	0.0044	1.0000	0.0520	0.0246	1.0810
2008	0.0042	1.0000	0.0610	0.0402	1.1054
2009	0.0079	1.0000	0.0594	0.0453	1.1126
2010	0.0107	1.0000	0.0622	0.0293	1.1022

NOTE: In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within.

Source: Alameda County Auditor-Controller

City of Fremont

Principal Property Tax Payers

June 30, 2010

Current Year and Nine Years Ago

in thousands of dollars

(Unaudited)

Schedule 7

Taxpayer	2010			2001		
	Total Assessed Value	Rank	% of Total City Taxable Assessed Value	Total Assessed Value	Rank	% of Total City Taxable Assessed Value
New United Motors Manufacturing, Inc.	\$ 1,073,296	1	3.17%	\$ 971,634	1	5.12%
Sobrato Interests II LP	243,830	2	0.72%	-	-	-
John Arrilago & Richard Peery	232,457	3	0.69%	91,653	7	0.48%
BRE Properties, Inc.	146,562	4	0.43%	-	-	-
Fremont Retail partners LP	137,175	5	0.41%	-	-	-
SSR Western Multifamily LLC	83,910	6	0.25%	-	-	-
EQR Fanwell 2007 LP	83,721	7	0.25%	-	-	-
ASN Fremont LLC	81,364	8	0.24%	-	-	-
Presidio LLC	73,346	9	0.22%	-	-	-
MV EPT Apartments LLC	65,202	10	0.19%	-	-	-
Catellus Development Corporation	-	-	-	187,309	2	0.99%
SCI LP I	-	-	-	123,562	4	0.65%
AMB Property Limited Partnership	-	-	-	76,415	9	0.40%
Ardenwood Corporate Park Associates	-	-	-	86,059	8	0.45%
CalWest Industrial Properties LLC	-	-	-	93,126	6	0.49%
Renco Equities IV	-	-	-	94,195	5	0.50%
ERP Operating LP	-	-	-	71,487	10	0.38%
HMT Technology Corporation	-	-	-	157,137	3	0.83%
Total	<u>\$ 2,220,863</u>		<u>6.57%</u>	<u>\$ 1,952,577</u>		<u>10.29%</u>

Source: Alameda County Assessor's Office

City of Fremont

Property Tax Levies and Collections

Schedule 8

June 30, 2010

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections ²	Total Collections to Date	
		Amount ¹	Percentage of Levy		Amount ¹	Percentage of Levy
1996	\$ 20,184,395	\$ 18,397,050	91.14%	\$ 1,075,588	\$ 19,472,638	96.47%
1997	21,087,526	19,434,230	92.16%	950,690	20,384,920	96.67%
1998	22,876,216	22,394,531	97.89%	1,091,086	23,485,617	102.66%
1999	25,200,446	24,783,031	98.34%	847,888	25,630,919	101.71%
2000	24,419,920	24,419,920	100.00%	3,521,224	27,941,144	114.42%
2001	26,525,016	28,663,957	108.06%	603,092	29,267,049	110.34%
2002	31,962,996	30,260,493	94.67%	732,220	30,992,713	96.96%
2003	30,888,453	31,222,911	101.08%	1,077,711	32,300,652	104.57%
2004	34,570,844	33,488,552	96.87%	2,436,537	35,925,089	103.92%
2005	33,849,967	31,843,722	94.07%	2,763,862	34,607,584	102.24%
2006	37,397,322	33,800,465	90.38%	4,694,097	38,494,562	102.93%
2007	42,070,561	38,418,787	91.32%	4,314,037	42,732,824	101.57%
2008	44,399,789	41,098,408	92.56%	4,038,449	45,136,857	101.66%
2009	44,177,923	43,323,369	98.07%	4,131,527	47,454,896	107.42%
2010	43,616,959	43,230,070	99.11%	3,383,306	46,613,376	106.87%

¹ Sources: City of Fremont Finance Department, Treasury Division, and Alameda County Auditor - Controller

² Includes interest and penalty remittances

City of Fremont

Ratios of Outstanding Debt by Type

Schedule 9

June 30, 2010

Last Ten Fiscal Years

dollars in thousands, except per capita

(Unaudited)

Fiscal Year Ended June 30	Governmental Activities				Percentage of Actual Taxable Value ^a of Property	Percentage of Personal Income	Per Capita ^b
	General Obligation Bonds	Redevelopment Bonds	Certificates of Participation	Total Primary Government			
1997	\$ 210	\$ 5,000	\$ 60,815	\$ 66,025	0.44%		\$ 343.59
1998	-	4,700	79,135	83,835	0.52%		422.00
1999	-	4,735	77,500	82,235	0.46%		403.90
2000	-	-	74,440	74,440	0.39%	N/A	357.88
2001	-	50,000	107,085	157,085	0.76%	N/A	758.25
2002	-	47,445	115,110	162,555	0.71%	N/A	779.27
2003	-	62,690	143,660	206,350	0.86%	N/A	987.33
2004	10,000	62,505	141,600	214,105	0.85%	N/A	1,024.03
2005	34,820	58,930	138,625	232,375	0.89%	N/A	1,109.61
2006	34,630	53,365	134,705	222,700	0.79%	N/A	1,059.68
2007	34,430	47,645	130,650	212,725	0.70%	N/A	1,005.02
2008	34,220	41,765	126,440	202,425	0.63%	N/A	948.07
2009	50,000	26,070	140,510	216,580	0.64%	2.61%	1,004.38
2010	49,260	-	137,105	186,365	0.55%	2.35%	854.38

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Schedule 5 for property value data.

^b Population data can be found in Schedule 13.

City of Fremont

Ratios of General Bonded Debt Outstanding

Schedule 10

June 30, 2010

Last Ten Fiscal Years

dollars in thousands, except per capita

(Unaudited)

Fiscal Year Ended June 30	General Bonded Debt Outstanding			Percentage of	
	General		Total	Actual Taxable	
	Obligation	Redevelopment		Value ^a of	Per
	Bonds	Bonds			
1997	\$ 210	\$ 5,000	\$ 5,210	0.03%	\$ 27.11
1998	-	4,700	4,700	0.03%	23.65
1999	-	4,735	4,735	0.02%	23.26
2000	-	-	-	0.00%	-
2001	-	50,000	50,000	0.22%	241.35
2002	-	47,445	47,445	0.19%	227.44
2003	-	62,690	62,690	0.23%	299.96
2004	10,000	62,505	72,505	0.26%	346.78
2005	34,820	58,930	93,750	0.32%	447.66
2006	34,630	53,365	87,995	0.28%	418.71
2007	34,430	47,645	82,075	0.25%	387.76
2008	34,220	41,765	75,985	0.21%	355.88
2009	50,000	26,070	76,070	0.20%	352.77
2010	49,260	-	49,260	0.13%	225.83

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Schedule 5 for property value data.

^b Population data can be found in Schedule 13.

City of Fremont
Direct and Overlapping Governmental Activities Debt
June 30, 2010
(Unaudited)

Schedule 11

	Total Debt 6/30/10	Percentage Applicable (1)	City's Share of Debt 6/30/10
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Bay Area Rapid Transit District	\$ 420,000,000	6.968%	\$ 29,265,600
Chabot-Las Positas Community College District	462,902,125	0.006%	27,774
Ohlone Community College District	132,005,000	82.370%	108,732,519
Fremont Unified School District	192,261,685	100.000%	192,261,685
Sunol Glen Unified School District	1,329,789	0.281%	3,737
City of Fremont	49,260,000	100.000%	49,260,000
City of Fremont Community Facilities District No. 1	67,260,000	100.000%	67,260,000
City of Fremont 1915 Act Bonds	11,080,000	100.000%	11,080,000
Washington Township Healthcare District	71,690,000	70.629%	50,633,930
East Bay Regional Park District	196,775,000	10.619%	20,895,537
	<u>1,604,563,599</u>		<u>529,420,782</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Alameda County General Fund Obligations	\$ 419,006,000	17.842%	\$ 74,759,051
Alameda County Pension Obligations	178,386,819	17.842%	31,827,776
Alameda County Board of Education Public Facilities Corporation	-	0.000%	-
Alameda-Contra Costa Transit District Certificates of Participation	40,335,000	21.638%	8,727,687
Chabot-Las Positas Community College District Certificates of Participation	4,665,000	0.006%	280
Fremont Unified School District Certificates of Participation	1,000,000	100.000%	1,000,000
City of Fremont Certificates of Participation	137,105,000	100.000%	137,105,000
	<u>780,497,819</u>		<u>253,419,794</u>
COMBINED TOTAL DEBT	\$ 2,385,061,418		\$ 782,840,576 (2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

City of Fremont
Legal Debt Margin Information
June 30, 2010
Last Ten Fiscal Years
dollars in millions
(Unaudited)

Schedule 12

Assessed value	\$ 33,833
Debt limit (15% of assessed value)	5,075
Debt applicable to limit:	
Less outstanding debt	49
Legal debt margin	<u>\$ 5,026</u>

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 3,111	\$ 3,435	\$ 3,606	\$ 3,778	\$ 3,924	\$ 4,227	\$ 4,534	\$ 4,842	\$ 5,093	\$ 5,075
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>34</u>	<u>50</u>	<u>49</u>
Legal debt margin	\$ 3,111	\$ 3,435	\$ 3,606	\$ 3,768	\$ 3,889	\$ 4,192	\$ 4,500	\$ 4,808	\$ 5,043	\$ 5,026
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.26%	0.89%	0.82%	0.75%	0.70%	0.98%	0.97%

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computation shown above reflect a conversion of assessed valuation date for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Fremont Finance Department, County of Alameda Tax Assessor's Office

City of Fremont
Demographic and Economic Statistics
June 30, 2010
Last Ten Calendar Years
(Unaudited)

Schedule 13

Year	Population	Alameda County Median Income *	Per Capita Personal Income	Median Age	Fremont Average Household Income **	Unemploy- ment Rate ***	Level of Educational Attainment of People 25 years & Older			Distribution of Jobs by Major Employment Sectors			
							College/ Associate Degree	High School Graduate	Less than High School Degree	Manufact./ Wholesale	Retail	Service	Other
2001	207,169	\$ 38,582	N/A	35	\$ 86,189	4.8%	39%	48%	13%	32%	16%	31%	21%
2002	208,600	38,044	N/A	35	86,189	4.8%	39%	48%	13%	32%	16%	31%	21%
2003	208,998	38,411	N/A	35	103,100	4.9%	39%	48%	13%	33%	15%	32%	20%
2004	209,080	39,779	N/A	35	104,600	4.2%	51%	37%	12%	32%	15%	32%	21%
2005	209,421	40,613	N/A	35	104,600	3.6%	51%	37%	12%	32%	15%	32%	21%
2006	210,158	42,360	N/A	35	100,500	3.1%	51%	37%	12%	41%	10%	39%	10%
2007	211,662	43,220	N/A	35	122,388	3.4%	51%	37%	12%	40%	10%	40%	10%
2008	213,512	43,872	N/A	35	124,600	4.4%	51%	37%	12%	40%	10%	40%	10%
2009	215,636	N/A	\$ 37,341	35	122,000	8.1%	51%	37%	12%	40%	10%	40%	10%
2010	218,128	N/A	36,310	35	122,000	8.3%	51%	37%	12%	41%	10%	41%	8%

* Source: California Franchise Tax Board, Personal Income Tax Statistics (All Returns - Taxable and Nontaxable)

** Source: 2006 and prior years - Association of Bay Area Governments, 2007, 2008, 2009 - Claritas Estimates (found in City of Fremont website), 2010 - CLRSearch.com

*** Source: 2001 and prior years - California Employment Development Department (for Alameda County). For 2002 and going forward, the unemployment rate is noted for the City of Fremont (same source).

City of Fremont**Construction Permits and Estimated Value****Schedule 14****June 30, 2010****Last Ten Fiscal Years**

(Unaudited)

Fiscal Year	Commercial/Industrial		Residential		Total	
	Number of Permits	Estimated Value	Number of Permits	Estimated Value	Number of Permits	Estimated Value
2000-2001	991	\$ 229,158,070	4,276	\$ 134,146,642	5,267	\$ 363,304,712
2001-2002	811	145,224,742	4,162	93,908,111	4,973	239,132,853
2002-2003	744	88,715,823	3,946	93,082,949	4,690	181,798,772
2003-2004	748	131,361,568	4,475	109,895,757	5,223	241,257,325
2004-2005	768	164,351,160	4,392	159,569,872	5,160	323,921,032
2005-2006	935	179,211,699	4,361	160,838,698	5,296	340,050,397
2006-2007	927	155,059,489	4,346	130,771,602	5,273	285,831,091
2007-2008	892	244,837,898	3,464	146,059,745	4,356	390,897,643
2008-2009	829	94,886,907	2,970	122,842,111	3,799	217,729,018
2009-2010	894	322,308,508	3,195	116,043,844	4,089	438,352,352

Source: City of Fremont Community Development Department

City of Fremont
Principal Employers
June 30, 2010
Last Ten Calendar Years
(Unaudited)

Employer	(A)	<u>2010</u>	Rank	<u>2009 *</u>		<u>2008 *</u>		<u>2007 *</u>	
		#		(A)	Rank	(A)	Rank	(A)	Rank
Fremont Unified School District	3.02%	3,000	1	1.52%	3	1.51%	3	1.57%	3
Washington Hospital	1.81%	1,800	2	2.18%	2	2.16%	2	2.25%	2
Boston Scientific/Target Therapeutics, Inc.	1.81%	1,800	3	1.09%	4	1.08%	7	1.12%	6
Western Digital	1.81%	1,800	4	0.91%	6	1.05%	9	1.03%	7
Seagate Magnetics	1.06%	1,050	5	0.96%	5	0.99%	8	-	
AXT Incorporated	0.96%	950	6	0.88%	7	0.88%	10	0.91%	8
Lam Research Corporation	0.96%	950	7	0.84%	8	1.14%	6	1.18%	5
Oplink Communications	0.91%	900	8	0.82%	10	1.39%	4	0.84%	10
Solydra	0.81%	800	9						
Sysco Food Services	0.76%	750	10	-	-	-	-	-	-
New United Motor Manufacturing	-	-	-	4.27%	1	4.68%	1	5.34%	1
Office Depot	-	-	-	0.82%	9	-	-	0.84%	10
Smart Modular Technologies	-	-	-	-	-	1.19%	5	1.23%	4
Asyst Technologies	-	-	-	-	-	-	-	0.89%	9
Soletron California Corp./Fine Pitch	-	-	-	-	-	-	-	-	-
Synnex Information Tech. Inc.	-	-	-	-	-	-	-	-	-
MMC Technology	-	-	-	-	-	-	-	-	-
Kaiser Permanente	-	-	-	-	-	-	-	-	-
Sanmina-SCI	-	-	-	-	-	-	-	-	-
Scios, Inc.	-	-	-	-	-	-	-	-	-
Excel, Inc.	-	-	-	-	-	-	-	-	-
Tandem Staffing	-	-	-	-	-	-	-	-	-
Avant! Corporation	-	-	-	-	-	-	-	-	-
Credence Systems Corporation	-	-	-	-	-	-	-	-	-
Read-Rite Corporation	-	-	-	-	-	-	-	-	-
L S I Logic Corporatino	-	-	-	-	-	-	-	-	-
Extron Logistics, LLC	-	-	-	-	-	-	-	-	-
HMT Technology Corporation	-	-	-	-	-	-	-	-	-
Staff Search	-	-	-	-	-	-	-	-	-
RSP Manufacturing Corporation	-	-	-	-	-	-	-	-	-
Alatron Inc.	-	-	-	-	-	-	-	-	-
Network Equipment Technology	-	-	-	-	-	-	-	-	-
Cirrus Logic, Inc.	-	-	-	-	-	-	-	-	-

(A) Percentage of total employment.

* The number of total employment for the City is available for the last four fiscal years only.

** Information not available

Schedule 15

2006 Rank	2005 Rank	2004 Rank	2003 Rank	2002 ** Rank	2001 Rank
-	-	-	-	-	-
-	-	-	-	-	-
-	9	-	-	-	-
7	10	-	-	-	-
		6	6	-	2
-	-	-	-	-	-
2	4	2	2	-	4
-	-	-	-	-	-
6	-	8	8	-	10
1	1	1	1	-	1
4	7	-	-	-	-
-	5	-	-	-	-
-	-	-	-	-	-
5	8	-	-	-	7
-	-	4	4	-	-
3	6	-	-	-	-
8	-	-	-	-	-
9	-	-	-	-	-
10	-	-	-	-	-
-	2	-	-	-	-
-	3	-	-	-	-
-	-	3	3	-	-
-	-	5	5	-	-
-	-	7	7	-	9
-	-	9	9	-	-
-	-	10	10	-	-
-	-	-	-	-	3
-	-	-	-	-	5
-	-	-	-	-	6
-	-	-	-	-	8
-	-	-	-	-	-
-	-	-	-	-	-

City of Fremont

Full-time Equivalent City Government Employees by Function/Program

Schedule 16

June 30, 2010

Last Ten Calendar Years

(Unaudited)

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Public Safety</u>										
Fire *	205.00	176.20	176.00	157.60	153.00	153.00	153.00	161.00	161.000	152.00
Police	322.75	337.75	337.75	292.90	299.10	294.00	294.00	302.00	302.000	287.00
Total	527.75	513.95	513.75	450.50	452.10	447.00	447.00	463.00	463.000	439.00
<u>Other Community Services</u>										
Development & Environ. Services	122.70	146.80	147.70	121.42	121.00	123.2	106.42	108.3	113.500	99.27
Economic Development	4.00	6.00	4.70	3.64	4.75	4.64	4.64	4.69	4.675	4.57
Human Services	36.45	40.95	44.95	40.57	40.67	43.97	43.97	52.32	52.800	51.8
Transportation and Operations	134.00	145.00	153.00	131.50	132.05	129.3	112.9	116.15	116.025	103.11
Parks and Recreation	39.10	38.60	40.25	36.10	34.85	33.35	67.35	67.35	69.350	61.85
Housing and Redevelopment	15.30	16.05	17.35	13.04	14.68	14.54	13.99	12.91	13.725	11.93
Total	351.55	393.40	407.95	346.27	348.00	349.00	349.27	361.72	370.075	332.53
<u>Administrative Systems</u>										
City Manager's Office	12.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	2.750	1.75
Administrative Systems Office	-	12.00	11.10	5.50	6.50	5.30	4.70	4.70	4.700	3.50
City Attorney	11.00	13.00	13.00	12.00	11.00	10.75	10.75	10.75	10.500	9.42
City Clerk	10.00	9.00	10.50	7.50	7.40	6.40	6.30	5.30	5.300	4.25
Finance	30.65	29.65	30.05	25.40	26.40	25.75	25.75	24.75	24.750	21.65
Information Systems	16.00	18.00	21.00	20.40	20.40	20.40	20.40	21.90	21.900	19.90
Human Resources	16.50	21.00	21.00	17.00	17.50	17.00	17.00	17.00	17.000	14.00
Total	96.15	106.65	110.65	90.80	92.20	88.60	87.90	87.40	86.900	74.47
CITYWIDE TOTAL	975.45	1,014.00	1,032.35	887.57	892.30	884.60	884.17	912.12	919.975	846.00

* Authorized staffing for the Fire Department included 36 FTEs associated with the Union City fire service contract. The contract was dissolved in FY2000/01.

City of Fremont
Operating Indicators by Function/Program
June 30, 2010
Last Ten Calendar Years
(Unaudited)

Schedule 17

<u>Function/Program</u>	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Police</u>											
Physical arrests	4,908	5,610	7,013	6,959	5,658	6,696	6,503	6,535	6,345	5,903	5,315
Vehicle moving and parking violations	19,660	18,830	17,615	17,453	15,937	14,176	10,762	14,545	17,563	15,849	15,807
<u>Fire</u>											
Emergency responses **	13,339	13,106	12,786	12,761	13,176	12,979	13,338	13,535	13,190	13,067	N/A
Fires extinguished	396	418	366	370	476	447	383	489	462	371	N/A
<u>Parks and recreation</u>											
Number of recreation classes registrants	23,570	24,514	23,393	21,711	21,101	23,150	22,325	24,072	23,885	23,329	24,507*

* As of December 13, 2010

** Includes responses within the City of Fremont only; does not include mutual aid responses to Union City, Newark, etc.

City of Fremont

Capital Asset Statistics by Function/Program

Schedule 18

June 30, 2010

Last Ten Calendar Years

(Unaudited)

<u>Function/Program</u>	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Police</u>											
Stations	1	1	1	1	1	1	1	1	1	1	1
Police fleet cars & motorcycles	221	267	286	288	289	285	285	285	199	186	168
<u>Fire</u>											
Stations ¹	14	11	11	10	10	10	10	10	10	11	11
Engines	16	16	16	16	16	16	16	16	16	16	16
Trucks	3	3	3	3	3	3	3	3	3	3	3
Patrols (Wildland units, etc.)	6	6	6	6	6	6	6	6	6	6	6
<u>Parks and recreations</u>											
Acreage	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053
Playgrounds	52	52	52	52	52	52	52	52	52	52	52
Baseball/softball diamonds	24	24	24	24	24	24	24	24	24	24	24
Soccer/football fields	17	17	17	17	17	17	17	17	17	17	17
Community centers	5	5	5	5	5	5	5	5	5	5	5
Water park	-	-	-	-	-	-	-	-	-	1	1

¹ Fire Station #11 opened in 1999. Decrease in 2000 due to City's disengagement from contract with Union City Fire.

Fire Station #11 closed in 2003 as a result of budget cuts, and reopened again in 2009 to service increased development in its service area.



Caporicci & Larson, Inc.
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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council
of the City of Fremont
Fremont, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Fremont (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and Members of City Council
of the City of Fremont
Fremont, California
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
January 28, 2011